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Weinberger faces Iran-Contra scandal charges

Caspar Weinberger, US defence secretary from 1981 to 1987, was indicted by a special prosecutor on five criminal charges, including perjury and making false statements, stemming from the 1985-86 Iran-Contra scandal.

Weinberger (left) is the most senior US official and the first former Reagan cabinet member to be charged in connection with the scandal, which centred on the clandestine sale of weapons to Iran and the diversion of millions of dollars in profits from these sales to the Nicaraguan Contra rebels. The diversions occurred in spite of a congressional ban on US military aid to the Contras. Page 7

EFA plan: A compromise plan to keep Germany in the European Fighter Aircraft project could see a delay in its production to allow time for Bonn's budget crisis to ease. Page 20

Czechoslovak split feared: The break-up of the Czechoslovak federation appears imminent as Czech and Slovak leaders meet again to discuss the country's future, according to officials close to Czech negotiators. Page 2

Sarajevo hope: United Nations officials are expected to start demilitarising Sarajevo airport and its surroundings today provided the ceasefire enforced since Monday holds. Page 2

NEDC wound up: The UK government severed its last link with the consensual approach to economic management by announcing abolition of the National Economic Development Council. Page 20; Observer, Page 19

UK deficit anxiety: Britain was heading for a record deficit this financial year even though public-sector finances deteriorated by less than expected last month. Page 9; Lex, Page 20

Offer by tunnel builders: Contractors building the Channel tunnel said they would accept shares or similar certificates as part settlement of claims for extra payments of more than £1bn they are seeking from Eurotunnel, owner of the project. Page 21; Lex, Page 20

German banking link-up: Berlin's city government approved the merger of Berliner Bank, in which the city holds 56 per cent, and three other Berlin banks. Page 21

Philippine election: Fidel Ramos, who helped topple a dictator and defeat six coup attempts, won the Philippines presidential race. Page 4

Sears, Roebuck, US retail and financial services company, responded to shareholder discontent by changing the way the company is governed. Page 24

Dasa, aerospace arm of Daimler-Benz, is paying $57m for a 12½ per cent stake in Space Systems/Loral, US commercial satellite manufacturer. Page 24

Tokyo growth fears: Japan's Economic Planning Agency may have to revise downwards its 3.5 per cent economic growth target for the year to next March. Page 4

Norweb, regional electricity company based in Manchester, north of England, reported a 96 per cent rise in pre-tax profit to £137.9m ($250.9m) for the year to March 1992. Page 21; Details, Page 28; Lex, Page 20

DHL International: Lufthansa, German national carrier, and Japan Airlines are increasing their stakes in DHL International, the world's largest air courier company, from 5 per cent to 25 per cent each. Page 21

Veronese damaged: The largest painting in the Louvre, Paris, Paolo Veronese's "The Wedding at Cana", was cut in four places during restoration, when scaffolding slipped as experts checked it was properly hung.

Minolta Camera is to restructure its US subsidiaries and introduce an early-retirement plan for employees in an unusual move for a Japanese company. Page 25

Swiss banking licences are to be granted to all qualifying Japanese banks and securities companies before the end of the year. Page 22

Rostov killings: Eight sex-related murders by a single unidentified suspect have been recorded this year in and around Rostov-on-Don, Russia. They are believed unconnected to Andrei Chikatilo accused of 53 murders in the Rostov area.

■ STOCK MARKET INDICES		
FT-SE 100	2,616.3	(+22.7)
Yield	4.68	
FT-SE Eurotrack 100	1,165.38	(+5.63)
FT-A All-Share	1,263.20	(+0.7%)
FT-A World Index	148.43	(+0.01)
Nikkei	16,853.53	(+6.30)
New York:		
Dow Jones Ind Ave	3,329.49	(-25.41)
S&P Composite	408.32	(-1.97)
■ US CLOSING RATES		
Federal Funds	3¾%	
3-mo Treas Bills: Yld	3.719%	(3.703%)
Long Bond	101⅞	(101⅝)
Yield	7.827%	(7.848%)
■ LONDON MONEY		
3-mo Interbank	10¼%	(10¼%)
Liffe long gilt future	Sep 97⅞	(Sep 97⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day Aug	$21.075	(21.1)
■ Gold		
New York Comex June	$342.2	(343.1)
London	$342.15	(343)

■ STERLING		
New York:		
$	1.8648	(1.8568)
London:		
$	1.86	(1.8565)
DM	2.916	(2.9175)
FFr	9.815	(9.825)
SFr	2.6775	(2.625)
Y	235.5	(235.25)
£ Index	92.9	(92.9)
■ DOLLAR		
New York:		
DM	1.5639	(1.5708)
FFr	5.265	(5.2905)
SFr	1.485	(1.415)
Y	126.45	(126.83)
London:		
DM	1.567	(1.5715)
FFr	5.2775	(5.2925)
SFr	1.4875	(1.4145)
Y	126.7	(126.75)
$ Index	62.3	(62.2)
Tokyo close Y 127.00		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr160	Morocco	MDH11	Singapore	S$4.10		
Belgium	BFr60	India	Rs[illegible]	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.50	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	Fm10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Russian leader hints US Vietnam prisoners of war may be held in Russian jails

Yeltsin and Bush agree reduction in N-weapons

Boris Yeltsin (left), the Russian president, and US president George Bush in the grounds of the White House yesterday

By George Graham in Washington

US PRESIDENT George Bush and Russian President Boris Yeltsin yesterday reached agreement on sweeping new arms cuts that will reduce the number of nuclear warheads in their countries' possession by more than two thirds.

The two leaders announced that they had agreed a two-phase plan that will cut their nuclear weapons to between 3,000 and 3,500 by the year 2003, and eliminate the multiple warhead intercontinental ballistic missiles (ICBMs) that are viewed as the most menacing of nuclear weapons.

"With this agreement, the nuclear night recedes," Mr Bush said. Although the deadline for completing the arms cuts is 2003, Mr Bush said the cuts could be completed by the year 2000 if the US could help Russia to accelerate the destruction process.

Mr Yeltsin added that the agreement expressed the fundamental change in relationship between Russia and the US, noting that instead of laying down strict parity, each country could select its own force structure within the 3,000-3,500 target range.

"We know one thing: we shall not fight against each other," Mr Yeltsin said.

The agreement also provides for Russia and the US to work together on developing a "concept" for a system of global defence against missiles, as well as the possibility of sharing early warning information.

Mr James Baker, the US secretary of state, has been working for the last five months with his Russian counterpart, Mr Andrei Kozyrev, in an effort to negotiate a pact that would take nuclear disarmament beyond the cuts agreed to last year in the Strategic Arms Reduction Treaty (Start.)

Until the last minute, Russia and the US appeared to be too far apart on the number and type of missiles that should be eliminated, as well as on the timing of their destruction, for an agreement to be concluded at the two-day summit meeting which began in Washington yesterday.

A final round of talks between Mr Baker and Mr Kozyrev, however, paved the way for Mr Bush and Mr Yeltsin to bridge their remaining differences.

The disarmament pact will provide a capstone for the meeting, the first formal summit since the collapse of the Soviet Union. Yet it seemed likely yesterday to be overshadowed in the mind of the American public by Mr Yeltsin's revelation that some US prisoners of war might still be alive in Russia.

The Russian leader raised this possibility during his flight to Washington on Monday, and struck a resonant chord in the US, where an overwhelming majority of the public believes that US servicemen listed as missing in action during the Vietnam War are still held captive.

After the announcement of the arms cuts, Mr Yeltsin said he believed American POWs may still be alive in the former Soviet Union and said he would join Mr Bush in pursuing a full-scale effort to learn their fate.

Mr Bush said a team of investigators would be sent to Moscow immediately to look into possible leads on the fate of missing Americans.

Mr Yeltsin said the first phase of arms cuts would bring each country down to between 3,800 and 4,250 nuclear warheads. Within these totals, each country would be limited to 1,250 ICBMs – including no more than 650 heavy missiles – and 2,250 submarine launched ballistic missiles (SLBMs).

In the second phase, he said, the total number of warheads would be cut to between 3,000 and 3,500. All heavy and multiple warhead ICBMs would be destroyed and the number of SLBMs limited to 1,750 warheads.

Bundesbank determined to keep monetary policy tight

By Andrew Fisher in Frankfurt

THE BUNDESBANK said yesterday it was determined to keep monetary policy tight in the face of inflationary pressures.

A "premature" easing could endanger the return to price stability in Germany, it said.

In its monthly report, the German central bank said recent wage deals were still too high in the light of reduced economic growth, although the average 5.5 per cent rise in key industrial sectors was less than last year's 7 per cent.

Unit labour costs would rise by about 4 per cent this year, a level "that is not reconcilable with the aim of price stability", it said.

The Bundesbank held out the hope that wage deals would be more moderate next year, noting that the settlement in the engineering industry included a lower increase for 1993 than for this year.

Last year's wage rises probably affected the competitiveness of German exporters, with foreign trade performance tending to damp the fairly positive economic trend, it said.

Gross national product in west Germany was 2 per cent higher in the first quarter than in the last quarter of 1991 on a seasonally adjusted basis. This partly reflected mild winter weather and would not be repeated in the second three months, but "the economy is clearly headed upwards".

Although inflation had retreated from its March peak of a 4.8 per cent annual rate to 4.6 per cent in May, the bank said it was still too high.

Excluding energy prices and higher consumer taxes, prices were up by a more modest 3.5 per cent. But, in the service and construction sectors, the rise was about 6 per cent. "This shows that considerable inflationary tensions still exist," the bank said.

Mistaken economic and wage policies could cause such pressures to spread to other sectors. The bank said last December's half point rise in interest rates – to 8 per cent for the discount rate and 9.75 per cent for the Lombard rate – had been urgently needed to combat inflation.

A continued loss of monetary stability would endanger growth and employment as well as the integration of east Germany. The D-Mark's international role also demanded inflationary vigilance.

"The decisions at Maastricht have strengthened the need to cut the German inflation rate in view of European monetary integration," the report said.

Major denies Maxwell claim

By Alison Smith and Jimmy Burns in London

MR JOHN MAJOR vigorously denied yesterday that the British government had had any information about the financial activities of Mr Robert Maxwell before his death last year.

The prime minister came under pressure in the House of Commons about the report in Monday's Financial Times that the government had intelligence information that suggested Mr Maxwell was acting dishonestly.

Responding to questions from Labour opposition MPs, he said: "The government had no information about Mr Maxwell's financial affairs as alleged in the Financial Times yesterday – whether in 1989 or subsequently. I saw no such information, my office saw no such information, no other minister saw any such information – for the very good reason it never existed at all."

But he refused to be drawn on another element in the FT's story, in which Mr Robin Robison, a former administrative officer for the joint intelligence committee, claimed major British and foreign companies, largely in the defence field, routinely had their communications intercepted.

Governments did not comment on security matters, Mr Major said, adding that he had "made the point perfectly clear on Maxwell because of the damaging effects that the report could have had on the Maxwell pensioners".

Mr Major's words were seen at Westminster as deliberately falling short of a broader denial that Mr Maxwell had been the subject of intelligence reports at all.

Mr Robison last night stood by his statements. He said: "Most if not all the JIC material of any relevance to this story was shredded and burnt a long time ago, and Mr Major can only rely on civil servants who were probably not in the PM's private office at the time."

Mr Robison said not all the material handled by the JIC found its way into the weekly intelligence summary that went

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Devil take the hindmost, Page 8

Swedish banking crisis deepens

By Robert Taylor in Stockholm

THE biggest banking crisis in Sweden for more than half a century showed signs of deepening yesterday with further evidence of mounting credit losses and deteriorating financial results.

The country's commercial banks and financial institutions are hit by difficulties caused through loans to property and finance companies during the last decade.

Senior banking analysts in Stockholm believe it could be three years before stability is restored. All four leading banks are strengthening their underlying financial bases or seeking ways of doing so.

In a bid to end uncertainties and volatility in its earnings, Gota Bank, the country's fourth largest, announced yesterday that it was being supported through a SKr13.5bn ($2.18bn) financial insurance plan for the next five years. This will cover its entire loan portfolio for losses and unpaid interest.

The bank said that the size of the premiums payable would amount to between SKr8bn and SKr10bn spread over the period to 1996.

As a result of the scheme, Gota's credit losses for the first four months of the year were SKr210m – and not SKr1.147bn – although this still left the Gota group with an operating deficit of SKr638m.

The breadth of the banking crisis was also illustrated by results from other banks.

Föreningsbank announced a SKr175m operating loss for the first four months. This marked a 43 per cent improvement on the same period of 1991. But credit losses totalled SKr926m and the bank said that the outlook was so uncertain it could not give any forecast for the whole of 1992.

Svenska Handelsbanken, Sweden's third largest commercial bank with a reputation for prudence, announced a 35 per cent drop in profits for the first four months to SKr664m. This was because of credit losses totalling SKr1.559bn for the same period, a 47 per cent jump on the first four months of 1991.

These results follow on the heels of the first-ever financial operating loss from Skandinaviska Enskilda Banken, the country's largest commercial bank. Losses, announced last week, amounted to SKr600m for the first four months.

The results also follow difficulties at the state-controlled Nordbanken, which made a loss of SKr1.97bn in the first four months.

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Spectre of falling Balkan dominoes haunts Europe

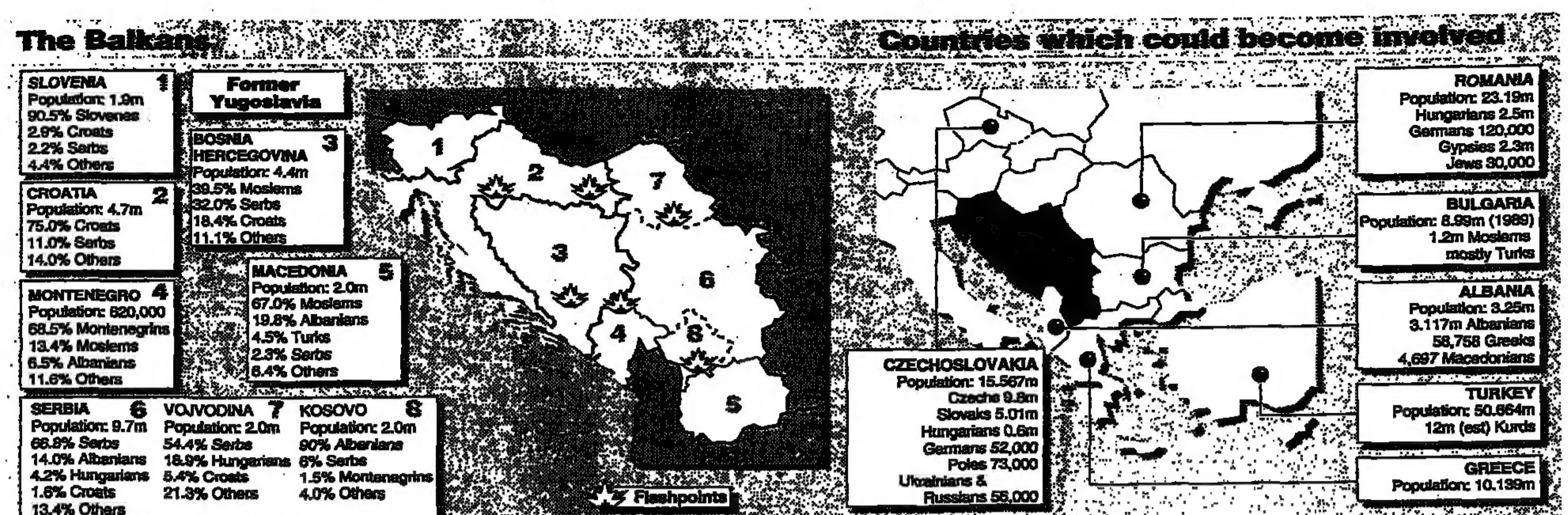
Serbia's neighbours fear war could spill over into the rest of the region and beyond, writes **Judy Dempsey**

WHEN Mr Lawrence Eagleburger, the US assistant secretary of state, made a whistle-stop tour to Moscow and the Balkans last month, one thing was uppermost in his mind. He wanted to make sure that Bulgaria, Romania, Albania, and Russia would back any sanctions that the United Nations was soon to impose on Serbia, and its tiny ally Montenegro.

All these countries have now come out in support of the sanctions, not only in the belief that relations with the US would strengthen as a result. They fear civil war may engulf Serbia and want some guarantees that the US and the international community will prevent it from spilling over into the entire Balkan region. US diplomats have said they cannot provide such guarantees.

The fear of civil war in Serbia is now openly discussed among all the opposition parties in Belgrade. Such a war could involve supporters of the ultra-nationalist, armed Serbian Radical party, led by Mr Vojislav Seselj, who regard Serbia's nationalist president Slobodan Milosevic as having reneged on his commitment to create a Greater Serbia. It could also involve humiliated members of the Yugoslav army, thousands of whom have been forced by UN agreements – to which Mr Milosevic was a party – to withdraw to Serbia from the republics of Croatia, Bosnia-Hercegovina and Macedonia.

A Serbian civil war could also be sparked off by rising social discontent as sanctions, which are already biting, further erode living standards.



Above all, unrest could be triggered in the Serbian-controlled southern province of Kosovo, where the 2m-strong ethnic Albanian population, denied any rights since 1990, when Belgrade forcibly incorporated the province into Serbia, could be provoked into rebelling.

Western diplomats believe it would be difficult to contain a war in Serbia. If fighting broke out in Kosovo, neighbouring Albania could become involved through helping the ethnic Albanians in Kosovo. This would play into the hands of Serb extreme nationalists, who have always argued that Albania harboured territorial ambitions there.

The ethnic Albanians in neighbouring Macedonia, who make up 20 per cent of the population, might be tempted to lend support to Kosovo. This would cause instability in the small, independent but still unrecognised republic because nationalists in Bulgaria, and Greece, could be tempted to revive historical claims on Macedonia.

"That is why the European Community should have recognised Macedonia last January," a western diplomat said. "The longer we put it off, the greater the chance of unrest in Macedonia, and in the region."

A war in Serbia would also mean that the 50,000-strong Moslem population in the Sandzak, south-west of Serbia, might also attempt to rebel against Belgrade's proxy Montenegrin reservists in the region.

"We still must not ignore the impact of what Turkey and the other Moslem states in the Middle East would do. They are disgusted and shocked by the way in which the Moslems in Bosnia have been slaughtered by Serb irregulars," another diplomat said.

Further north, in the Serbian-controlled province of Vojvodina, the 350,000-strong ethnic Hungarian minority is already campaigning for more ethnic and cultural rights in the region. A war in Serbia could radicalise them even further, raising the prospect of unrest on Hungary's borders.

Moreover, UN officials and western diplomats believe a civil war in Serbia could allow Croatian President Franjo Tudjman to start a new offensive in Slavonia, in eastern Croatia, where UN peace-keeping forces are deployed.

Mr Jozsef Antall, Hungarian prime minister, fears that a civil war in Serbia, and recent developments in Czechoslovakia, could quickly open up the whole question of central Europe's post-war borders.

For instance, Hungarian diplomats believe that if Mr Vaclav Klaus, the new prime minister of Czechoslovakia, finds it impossible to reach an agreement on retaining the Czech and Slovak federation with Mr Vladimir Meciar, head of the nationalist Slovak Democratic party, the status of the 600,000 ethnic Hungarians in an independent Slovakia could be undermined.

The Hungarians in Slovakia have always wanted the retention of the federation. For them, the Czech lands act as a counterweight to Slovak nationalists. Without the federation, they believe Slovakia will become more nationalist and intolerant of ethnic rights for themselves, as well as for the small Ruthene and Ukrainian minorities.

Already, Mr Miklos Duray, who was elected to the federal parliament and who is head of Co-existence, a party that groups ethnic Hungarians and Poles in Slovakia, is calling for greater autonomy for Hungarians.

Hungarian diplomats privately argue that any discrimination towards the ethnic Hungarians in Slovakia would radicalise a wing of Hungary's ruling Hungarian Democratic Forum.

"The last thing Budapest wants is the development of a political situation in Slovakia in which the ethnic Hungarians will be pushed into seeking protection from, or unification with, Hungary," a Hungarian diplomat said.

"This would play into the hands of the nationalists in Romania, who would then say Budapest wanted to annex Transylvania [where over 2m ethnic Hungarians live]. The whole region would be thrown into instability," he said. "That is why a war in Serbia would be so dangerous."

Czechs and Slovaks set to separate

By Ariane Genillard in Prague

THE break-up of the Czechoslovak federation appears imminent as Czech and Slovak leaders meet again today to discuss the future of the country, officials close to Czech negotiators said yesterday.

"We are convinced that a separation is unavoidable. The Movement for a Democratic Slovakia [HZDS] has clearly told us that it wants an independent Slovakia regardless of economic difficulties," they said. The nationalist HZDS, led by Mr Vladimir Meciar, won 37 per cent of the vote in the Slovak republic in the general election this month.

Mr Meciar will meet Mr Vaclav Klaus, the newly-elected Czech leader, in Prague today for a third round of post-electoral negotiations. The talks will be aimed at forming a minimal federal government which, the officials said, would be charged with arranging the orderly liquidation of the 74-year-old federation.

Previous meetings have failed, with Mr Klaus categorically rejecting Slovak demands for "an economic and defence union of two sovereign states".

The officials said that such a union was an attempt by Slovaks to build the future institutions of an independent republic with federal subsidies. "They want a financial and economic umbrella under which they will erode the federation," they said.

They added that the Czech side would refuse to finance the federal budget under such circumstances and that the federation could come to a de facto end by the close of the year.

Both Mr Klaus and the Mr Vaclav Havel, the Czechoslovak president, have stated that Mr Meciar's demand for a sovereign and internationally recognised Slovakia are incompatible with the requirements of a common state.

Negotiations are due to continue today and on Friday in Prague. But the officials said that the two sides could even fail to form an interim federal government as they disagreed on how to share power within it.

UN forces planning today to demilitarise Sarajevo airport to make way for a food airlift

Russia and US have few hopes

By Jurek Martin in Washington

NEITHER the US nor Russia appears optimistic about an early resolution of the problems in the former republics of Yugoslavia.

President Boris Yeltsin's spokesman said on Monday night before his summit with President Bush: "If we see there is a broad international consensus to stop the conflict, we will go along with it."

Mr Bush emphasised US willingness "to help in a humanitarian sense". But he rejected comparisons with the Gulf War, in which, he said, only the US was in the position to take the international lead. "Here the EC took the lead and I hope we'll stay shoulder-to-shoulder with them until this problem is solved."

However, Mr Ralph Johnson, the State Department under-secretary for European and Canadian affairs, said recently that he doubted that much of a European consensus existed beyond the short term.

On Monday, Mr Bush himself was bluntly warned by President Sali Berisha of Albania of the threat to fragile regional stability posed by Serbian territorial ambitions.

UN troops bring Sarajevo airlift one step closer

By Judy Dempsey in Belgrade

UNITED Nations officials are expected to start demilitarising Sarajevo airport and its surroundings today provided the ceasefire enforced since Monday continues to hold.

Once the area has been demilitarised, UN officials are hoping a 1,000 strong Canadian battalion can be deployed by Sunday to take control of the airport.

This could then pave the way for airlifting food and medical supplies to the Bosnian capital of Sarajevo which has been besieged by Serb irregulars for the past ten weeks. Sarajevo radio reported the city was generally calm though snipers continued to intimidate the population. Two foreign journalists were wounded, one critically.

There are fears the ceasefire could break down following an agreement between Croatian president Franjo Tudjman and Bosnian president Alija Izetbegovic on Monday.

The presidents agreed to recognise each other's republics, exchange ambassadors, and seek military co-operation in the "armed struggle" against the Serbs.

Mr Izetbegovic said he was seeking military co-operation with Croatia "because we are fighting against the same aggressor – the Serbs."

UN secretary general Boutros Boutros Ghali yesterday confirmed that forces from Croatia were fighting in Bosnia-Hercegovina, and appealed to Zagreb to withdraw them.

The forces, grouped under the Croatian Defence Council (CDC), now control large parts of northern Bosnia, and western Hercegovina, eastern Bosnia, where thousands of Serbs have been forced to flee into neighbouring Montenegro.

Western diplomats said that Serb irregulars and Serbia's proxy army in Bosnia, led by Mr Radovan Karadzic and General Ratko Mladic, will now have to decide whether to abide by the ceasefire.

Mr Izetbegovic yesterday said the Moslems would never again sit with "Serb terrorists" at the European Community-sponsored peace conference on Yugoslavia, which is expected to resume once Sarajevo airport is reopened.

Sweden averts political crisis

By Robert Taylor in Stockholm

A GOVERNMENT crisis was averted yesterday after Sweden's Centre party, part of the ruling coalition, decided to uphold its support for the country's EC membership bid despite strong opposition among party members and supporters.

Mr Carl Bildt, the prime minister, had warned the party that it would have to leave the government if it took an anti-EC stance. Sweden's moves towards EC membership have been upset recently by growing public opposition.

Yesterday the Organisation for Economic Co-operation and Development warned the government that its huge budget deficit and an uncertain economic future threatened its market reforms and the country's integration into the European Community.

The OECD annual survey said: "Sweden's public finances will remain seriously unbalanced if no further rationalisation measures are taken." It estimates that the increase cost of health care and education as well as tax reforms will drive up the budget deficit to around 4.8 per cent of gross national product next year.

"It means the budget deficit will go over the 3 per cent limit of GNP which the EC has set for future participation in an economic union."

The OECD welcomed the successful effort to reduce inflation and uphold the value of the krona and industry's increasing competitiveness.

"The Swedish economy is going through a difficult phase of adjustment after the overheating in the late 1980s", argues the report. "Although the short-term outlook for growth and employment is not particularly bright, there are grounds for optimism looking beyond the near term."

EC cartel office urged

By Andrew Hill in Brussels

GERMAN and British competition officials yesterday called for the European Commission to establish an independent cartel office to reduce the risk of sensitive competition decisions being distorted by political considerations.

Sir Sydney Lipworth, chairman of the British Monopolies and Mergers Commission (MMC), said the Brussels competition directorate should split its investigative and prosecution functions as a first step towards establishing an independent tribunal.

Such a panel would take decisions on pure competition grounds, Sir Sydney told a Brussels seminar of the new pro-Community think-tank, European Policy Forum. Commissioners would be able to overrule the tribunal in exceptional cases if they wanted to give priority to industrial or social policy.

Ireland's anti-treaty group puts positive case for 'No'

Low-key campaign has sown doubts in many voters' minds, writes **Tim Coone**

THE POSTER reads: "If you don't know, vote NO." It is the latest in an effective series produced by a group of anti-Maastricht campaigners in Ireland.

Tuning into people's confusion, emotions and doubts as they prepare to vote on the treaty tomorrow, the authors , a loosecoalition of groups calling themselves the National Platform, have emerged as one of the country's most articulate voices against ratification.

National Platform was founded four months ago by Mr Raymond Crotty, an economist whose name became known across Europe in 1987, when he held up ratification of the Single European Act by dragging the Irish government through the courts, eventually forcing it to hold a referendum.

His arguments, then as now, are that by handing more powers to Brussels, national sovereignty in the key areas of economic, defence and foreign policy decision-making has been, and is being, eroded.

Together with fellow Eurosceptics from the social science faculties of Dublin's universities, Mr Crotty has returned to haunt the Europhiles with a low-key campaign that has sown doubts in many voters' minds about whether European union will bring Ireland the many benefits its supporters claim.

Run on a shoe-string budget of I£25,000 (£23,000), donated by individuals, and relying on volunteers, the campaign has badly shaken the government and party leaders, some of whom admit in private that the vote could now be very close.

In its short life, the National Platform has evolved into an ad-hoc "rainbow" alliance of environmentalists, peace and anti-nuclear groups, liberal Christians organisations representing the unemployed, as well as students and university dons, who oppose Maastricht for a variety of reasons.

"We are not opposed to Europe, but we want renegotiation of the treaty," says Mr Gratten Healey, its chief spokesman. The group has steered clear of the abortion issue, another of the big topics of the campaign, in order to focus on what it considers the principal issues: sovereignty, Ireland's neutrality, and jobs. As a result, he says, "we have both feminists and anti-abortionists working for us."

The anti-abortionists say ratification will lead to legalisation of abortion in Ireland. The radical women argue that the special protocol designed to protect Ireland's 1983 constitutional ban on abortion has serious implications for women's rights to seek information on, and referral to, abortion services abroad.

Recent polls suggest that a high proportion of women voters are still undecided, and so could swing the balance.

But equally crucial will be how voters view the No argument that Ireland may be seriously disadvantaged by economic union.

Mr Anthony Coughlan, a senior lecturer in social policy at Trinity College, and one of the Platform's leaders, pointed out several weeks ago that under Emu "we shall find ourselves members of a currency union that is not a fiscal union – that is, that has no system of common EC taxes and public services which would entail automatic transfers from the richer states to the poorer, similar to those that exist between richer and poorer areas of national states... it would be a repeat of our 19th-century experience of economic and monetary union with Great Britain".

His words have begun to take on a prophetic significance, in the light of the Bank of International Settlements report, published this week, which casts doubts on the feasibility of Emu, and the rift that has opened among the 12 EC governments over the Delors II package of increased structural and cohesion funding to the poorer member states, under which Ireland had hoped to be a big beneficiary.

Doubts about the commitment to cohesion and economic convergence of other EC members raise fears in Ireland that Emu will simply accelerate emigration and capital flight to the economic power centres of Europe, leaving Ireland, as one campaigner said, "the equivalent of North Dakota in the US".

Italian bank acts to curb liquidity

By Robert Graham in Rome

THE Bank of Italy squeezed the financial markets further yesterday by raising the rate for repurchase agreements with the banks to 14.21 per cent.

In the two weeks since Danish voters rejected the Maastricht Treaty in a referendum, the Italian authorities have been obliged to make a series of selective upward adjustments to interest rates and intervene to bolster the lira. Rates on repurchase agreements, instruments of short term liquidity, have risen by nearly two percentage points.

Yesterday the lira was being traded at 756.8 to the D-Mark only marginally down from Monday's record 757.1. Nevertheless, the lira continued to be under pressure. Economists predicted it would remain weak so long as Italy continued be without both a government and credible measures to curb the public sector deficit.

President Oscar Luigi Scalfaro is now in his second week of consultations with political leaders on choosing a new prime minister to form a government. Every formula so far tested has encountered serious obstacles

Nevertheless, Mr Scalfaro has said he wants a speedy solution. There were suggestions yesterday he might opt for a "new generation" Christian Democrat on the understanding that he looked for a support base broader than the outgoing coalition with the Socialists, Social Democrats and Liberals.

French warning to media buyers

By William Dawkins in Paris

FRENCH competition authorities have taken fresh action against the discount-buying muscle of media purchasing agencies, in a move likely to be welcomed by media owners across Europe.

The Competition Council, France's anti-trust agency, has written to 40 media and publicity groups warning that they may be illicitly distorting fair competition on more than 90 counts.

It is concerned about the way France's advertising market has come to be dominated by media buying agencies, whose purpose is to use their volume power to get cheaper space for their advertising agency customers.

The top four – Carat, PMS, TMP and Eurocom – together account for almost 80 per cent of French media buying. They are keen to repeat the French model elsewhere in Europe, to the anxiety of many media owners who have seen their advertising margins dwindle or vanish during the recession.

The council alleges that Carat, Europe's largest media buyer, has forced media owners into "economic dependence", according to a French press report confirmed officially yesterday. Media buyers generally conceal from customers the rates paid for space bought on their behalf, adds the council. Discounts must be made clear to all, it argues.

The government has already signalled its anxiety about the growing strength of media buyers when last year it told Eurocom and Carat – which had formed an alliance two years previously – that they could not work together in France. This latest step was triggered by an inquiry by the Finance Ministry's competition division.

The companies concerned will in the next few months have the chance to respond to the council. It has the power to enforce changes in the way they operate and to levy fines. A decision is expected this autumn.

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NEWS: WORLD TRADE

Fiat to build car plant in Algeria

By Robert Graham in Rome

FIAT, the Turin-based automotive group, yesterday agreed to go ahead with a joint venture in Algeria to build a $350m (£192.3m) car plant with Saada, the Algerian state vehicle concern.

The agreement, signed in Algiers, envisages a plant with a 30,000-unit annual capacity at Tiaret in west Algeria. The project has been under discussion since 1989 but has been dogged by arguments over size, credits and most recently political uncertainties.

The decision marks a significant overseas commitment by Fiat and reinforces the Italian government's aim of replacing France as Algeria's main trading partner. It is also a significant gesture of foreign investor confidence in Algeria's military-backed government.

Yesterday's agreement envisages the creation of a joint company with L82bn (£37.2m) of capital, 36 per cent held by Fiat and 64 per cent by Saada. Fiat has the option to raise its stake to an eventual 49 per cent.

The plant is planned to be operational within three years and in the meantime Fiat has the right to import into Algeria up to 12,000 cars a year. Part of the production – of a model based on the Fiat U – will be exported to North African and African markets.

Fiat said yesterday the project was intended to be integrated into its overall car production plans. However, it has prospered thanks to some L170bn of soft credits made available to Algeria to finance the plant. The Italian government has also agreed to extend $7.2bn worth of export credit guarantees to Algeria, largely linked to the development of gas supplies. The Algerian government has undertaken to provide the infrastructure. Tiaret, on a plateau some 300km from the coast, has been regarded by some auto industry experts as a highly unsuitable greenfield site.

Corruption clean-up, page 4

Turkey pushes to bolster Russian connection

A string of trade and debt deals have put bilateral ties on a firmer footing, writes John Murray Brown

A HUGE poster draped from the roof of a hotel greeted the Turkish prime minister as his cavalcade swept through Moscow recently. *Hosgeldeniz Baba*, it said – Welcome Baba, as Mr Suleyman Demirel is affectionately known at home.

Mr Demirel's visit to Russia served to underline the importance of Russian trade ties with Turkey despite the focus of public attention on Ankara's future role in central Asia and its tentative economic links with the Turkic republics of the region.

It also bolstered the position for 40 Turkish companies doing construction work in Russia. Mr Demirel and Russian officials ironed out a number of key problems on the current natural gas protocol, which has been the main catalyst for a dramatic rise in bilateral trade in the past few years.

"We're not the Red Cross," said the head of one of Turkey's leading contracting companies, worried that attachment to the Turks of Central Asia was distracting Ankara from what they see as its main task to win contracts in Russia, where it has a track record. Mr Demirel caused some consternation in banking circles in Ankara last month, when he promised more than $1bn (£500m) in credits to the Turkic republics during a visit through the region. However, officials have since clarified that this is little more than insurance cover for those Turkish companies game enough to venture into these markets. Turkey's best bet in Central Asia remains those deals based on barter arrangements in a region rich in natural resources but without the banking infrastructure and the creditworthiness to warrant extending loans.

Demirel: resolved problems in Moscow arising from gas protocol

The extended Russian gas deal – under which Russia agreed to repay its $35m debt to Turkey – could well provide the model.

In 1990, Turkey's trade with the Soviet Union was worth $1.7bn on the back of 1984 trade protocol under which Turkey imports Soviet gas in part exchange for Turkish goods and services. Business collapsed with the break up of the Soviet Union.

Turkey's Eximbank, which helped finance Turkish contractors in the region, and has extended more than $1bn worth of credits to the Soviet Union in the past four years, has frozen all new lines.

For the Turkish contractor who decided to build a hospital in Yalta, the visit will have had little impact. Like a number of contracts financed on the back of this six-year-old Soviet-Turkish trade protocol, the hospital has been left half completed.

Mr Demirel's Moscow visit completed a string of high-level exchanges. According to Turkish officials, the breakthrough came during Mr Demirel's meeting with Mr Yegor Gaidar when the Russian first deputy prime minister gave assurances that Russia would settle a $35m outstanding debt.

Mr Erdogan Hurbas, head of agreements at the Turkish treasury, says that Russia will repay over the next three months, and what's more in hard currency. It will be interesting to see how western banks react to such a move, given that Russia is in default of the $60bn it owes to western finance houses. Turkey argues this is a contractual obligation under an international accord.

Between 1987 and 1990 Turkish Soviet trade more than trebled to $1.8bn. Turkey is facing a projected energy shortage and is certainly in desperate need of the Siberian gas which today provides energy for industry and households and has done much to reduce pollution in cities like Ankara.

But Mr Demirel's projection that trade would increase five-fold over the next few years may prove optimistic.

Moreover, Russia is also demanding a new price structure, with the price set according to a central European benchmark as opposed to the Mediterranean price.

Turkey scored another success in Moscow when the Russians agreed that the proceeds from the gas agreement – about $270m in 1991 – should in future be paid by Botas, Turkey's pipeline company, direct to the Turkish Eximbank, and not the Vnesheconombank as before.

Under the current agreement, Botas pays hard currency upfront according *to its* projected monthly gas needs. Under the old terms, 70 per cent is dedicated to the purchase of Turkish goods and services and the remainder is a free currency portion to service Eximbank's credits.

As a result of this week's talks, the Eximbank says it will unblock its credit lines to Russia from this month.

TURKEY

	1987	1988	1989	1990	1991*	1992*†
Exports to Soviet Union ($m)	169	271	705	531	611	134
Percentage of total exports	1.7	2.3	6.1	4.1	4.4	3.7
Imports from Soviet Union ($m)	307	442	825	1,200	1,100	215
Percentage of total imports	2.2	3.1	4.0	5.6	5.2	4.3

*Former Soviet republics, predominantly Russia. †First quarter. Source: Turkish treasury

Yeltsin decrees to boost trade

By John Lloyd in Moscow

MR BORIS Yeltsin, the Russian president, yesterday issued a series of decrees on trade and the exchange rates aimed at strengthening the rouble and providing a firmer basis for privatisation.

The decrees include a reintroduction of tariffs on imports to Russia – all tariffs were lifted earlier this year to encourage imports because of the shortage of food and other goods.

Mr Yeltsin's decrees, due to come into force from July 1, are also designed to underscore Russia's commitment to economic reform as it negotiates access to loans from the International Monetary Fund.

Aside from the tariffs decree, Mr Yeltsin is also seeking to tighten up Russia's exports regime. Other decrees include:

- Unifying the various exchange rates of the rouble into one floating rate, that set by the Central Bank, presently standing at Rbs85 to the dollar.
- Allowing exporters to pay export tax in roubles rather than in European Currency Units (ECUs).
- Forcing exporters to exchange half of the hard currency earned rather than, as at present, 40 per cent – but at the floating rate rather than at Rbs55 to the dollar at present.

Yeltsin's US trip, page 6

Gatt tariff talks resume

By Frances Williams in Geneva

SENIOR trade officials from 40-50 countries will today try to nudge forward the negotiations on reductions in tariffs and other trade barriers in the Uruguay Round of global trade talks.

These negotiations, a key component of the overall liberalisation package, ground to a halt in March along with the rest of the Round following the failure of the US and the European Community to settle their differences over farm trade.

This in turn has prevented the US and the EC from agreeing tariff cuts on farm and industrial goods between themselves, an accord which would set the pattern for the rest of the 108 countries taking part in the Round.

Mutual concessions by the world's biggest traders have to be extended to all under the non-discriminatory "most favoured nation" principle of the General Agreement on Tariffs and Trade (Gatt).

Smaller countries are impatient and frustrated by the transatlantic stalemate.

They hope to press the US and EC to reveal enough about the likely outcome of their tariff negotiations to enable the country-by-country talks to recommence.

However, US and EC trade officials say they do not expect much progress because neither side wants to "assume" concessions that are still to be fought over.

One official talked of "sacred cows" which leaders remain unwilling to slaughter.

For example, the EC is refusing to concede "zero-for-zero" tariff deals in several industrial sectors until it has a commitment from Washington to cut high US tariffs on textiles. The US does not wish to make concessions on textile tariffs without some idea of what the EC offer on farm goods will eventually look like.

Despite the pessimism, both sides have sent top-level officials to Geneva, including Mr Hugo Paeman, the EC's chief trade negotiator, and Mr Warren Lavorel, his US counterpart.

They are expected to hold talks tomorrow with opposite numbers from Japan and Canada.

Negotiations have also restarted in the Swiss city on commitments by individual Gatt members to liberalise trade in services, though officials said these were expected to be fairly technical and low-key.

East Europe accorded US concessions

PORK bellies and wines from Hungary, sleeping bags and pencils from Czechoslovakia, and screws and bolts from Poland have been added to the list of duty-free imports to the US as part of the Bush administration's efforts to help democracies in central and eastern Europe, writes Nancy Dunne in Washington.

Eighty-nine products were added to the US Generalised System of Preferences – a programme for developing countries – after a special review of potential imports from Bulgaria, Czechoslovakia, Hungary and Poland.

The US did not add to the list Goya cheese from Hungary, after the suggestion sparked a row with American dairy farmers.

Moscow offers India weapons joint ventures

MOSCOW has offered to set up joint ventures in India to manufacture and export tanks and aircraft to Third World countries, a Russian embassy spokesman said, Reuter reports from New Delhi.

"Arms sales are a very important means of hard currency for Russia and India has been a durable defence partner with tested manufacturing capability," Mr Vladimir Grachev said.

Mr Grachev said that under the offer India, currently manufacturing tanks and MiG-21, MiG-23 and MiG-27 jet fighters under licence from the former Soviet Union, could become a fully fledged partner in a joint venture with Moscow.

He said India, a key non-communist political ally of the former Soviet Union, continued to have strong defence ties with Moscow. An Indian defence ministry spokesman said that he had no knowledge of the offer and would not say whether one would be considered. Two months ago, Russia extended a $830m defence credit to India.

"It's not an easy time for us to give credits, but India has always been the special exception," Mr Grachev said.

He said Russia saw a lucrative market for its arms in developing countries. "A little updated version of MiG-21s would sell like hotdogs."

Russia has also agreed to sell India rocket engines for its space programme, which had its first important success last month when an Indian-made rocket took an Indian-made satellite into orbit.

Norwegian gas plant contract

NORSKE Shell, the Norwegian arm of the international oil group Shell, has awarded Norway's largest-ever single contract to a joint venture between M W Kellogg, the US engineering company, and Aker, the Norwegian industrial group, to construct an onshore gas processing plant, writes Neil Buckley. The NKr4bn (£355m) plant will process gas from the Troll field, Europe's largest offshore gas field, which is capable of meeting 10 per cent of gas demand of western Europe from 1996.

Japan likely to cut economic growth forecast

THE Japanese government's *Economic Planning Agency* yesterday indicated it might be forced to cut its 3.5 per cent economic growth target for the year to next March, in view of the continued sluggishness of the economy.

The agency's admission, which accompanied the release of economic data for the first quarter of 1992, could pave the way for increasingly urgent discussions among policy-makers about possible government measures to revive the flagging economy.

A senior EPA official said: "Until now we have said we can achieve 3.5 per cent. Now we are saying 'it may be hard to achieve 3.5 per cent, though not impossible.' It is too early to tell."

Agency officials said the issue of possible government action was "very delicate."

The EPA, Ministry of *Finance and the Bank of Japan* insist it is still too early to consider boosting the economy through further interest rate cut and increased public works spending. But they are under pressure to act from politicians and from the US, which fears a sluggish Japanese economy could constrain growth elsewhere *in the industrialised* world.

The report the agency published yesterday showed the economy grew in terms of real GNP by 1.1 per cent in the first quarter compared with the previous quarter – an annualised growth rate of 4.3 per cent.

However, the EPA estimated that 0.4 percentage points of *the growth in the quarter* were accounted for by the fact that the leap year had added an extra day of economic activity.

The figures are consistent with a slow braking of growth, with sluggishness spreading throughout the economy.

Last year's growth rate of 3.5 per cent would be welcomed by most other industrialised countries, writes Stefan Wagstyl

Compared with the same period in 1991, the economy grew by 2.3 per cent – the lowest rate since 1986 and the fourth quarterly decline in succession.

Capital investment, the engine of growth in the late 1980s, fell 0.9 per cent compared with the same quarter in 1991, the first year-on-year decline since 1983.

For the fiscal year to the end of March the economy grew 3.5 per cent, little short of the 3.7 per cent government target and a rate that would be welcomed by officials and businessmen in most other industrialised countries.

Nevertheless, Mr Takeshi Noda, the EPA's director general, said that in view of the leap year the figures for the January-March quarter looked better than they actually were.

Public's distrust of militarism is rekindled

Stefan Wagstyl reports on likely consequences of the hard-fought passage of the UN peacekeeping bill

THE TORTUOUS passage *of the United Nations* peacekeeping bill through the Japanese Diet, finally accomplished on Monday, is a measure of the difficulties the country faces in defining for itself a role in the world.

Opposition parties won little credit for reducing the Diet to a farce in their efforts to block the legislation. They were roundly criticised by Japanese newspapers for undermining the principles of parliamentary democracy by abusing Diet procedures.

Yet the opposition antics reflect the serious concerns many Japanese have about the bill which would permit the government to send Japanese troops on United Nations peacekeeping missions.

If the issue had been put to a referendum, the government would almost certainly have *lost. Opinion polls indicated* that more than half the population are opposed to any bill which would allow the armed forces to serve overseas.

A senior cabinet official acknowledged the extent of this hostility at a recent press conference when he told journalists: "I hope you are more *impartial (in judging the bill)* than the Japanese people."

Japan will send a delegation to Cambodia to study the military situation there following the passage of the peacekeeping law, Reuter reports from Tokyo. Mr Masamichi Hanabusa, a foreign ministry spokesman, said no date had been set for the mission. Tokyo news reports said the team would leave within the next month to lay the groundwork for sending Japanese defence force personnel in September to join UN peacekeeping efforts.

To outsiders it might seem bizarre that Japanese are so sensitive about the bill. After all, the legislation looks so innocuous – it authorises the government to despatch up to 2,000 people on UN missions, but only if they serve in *non-combatant support roles, carry* nothing more than small arms and withdraw at the first sign of trouble.

However, many Japanese have invested the legislation with much wider meanings. They see in it an attempt to revise the country's pacifist constitution and a way of reviving the power of the military in Japan.

They also dislike the fact that the bill has been foisted upon them by an internationalist élite – led by the Ministry of Foreign Affairs – seeking to increase Japan's role in global *affairs*.

Peace Net News, a magazine run by opponents of the bill, has argued that the passing of the legislation could lead to a revision of the constitution and even "to moves to introduce a system similar to compulsory military service".

The bill's supporters argue *that such views have no basis* in fact. They point to the fact that almost the whole international community has welcomed the bill. Even Japan's Asian neighbours, which would be the first to feel threatened by a revival of Japanese militarism, have been very reserved in expressing *doubts about the legislation*.

The conservatively inclined Yomiuri newspaper said in an editorial yesterday that people would be reassured when they saw the peacekeeping bill in operation. Japanese would realise that isolationism in the modern world was tantamount to egoism. "To maintain order in international society, we have to think of the need of sharing risks." But the arguments do not sway the bill's opponents. They are haunted by Japan's inability to fully come to terms with its aggression during the second world war. *"The difficulties (over the bill) stem from the war,"* says Professor Akihiko Tanaka, an expert in politics at Tokyo University. "People do not trust the military."

Unlike Germany, Japan has never made a full and frank admission of its responsibility for invading Korea and China *or for starting the Pacific War.* While the late Emperor Hirohito and his son Emperor Akihito have apologised for various acts of aggression, as have government ministers, their words have often been undermined by subsequent backtracking by other political figures.

Japanese people have been *kept in ignorance of basic* information which are not included in school textbooks – such as the fact that the allies considered – and later rejected – trying Emperor Hirohito for war crimes. Instead, the belief grew that responsibility for the war rested entirely with a smallish group of military officers, who were eliminated during the post-war occupation.

In these circumstances, it is understandable that many people are hostile to any talk of expanding the military's role today – even in UN peacekeeping operations.

But the fact that such hostility is understandable greatly complicates Japan's political future. If the the country's leaders cannot convince people of the merits of serving under the UN flag, there is little prospect that they can even begin to consider more sensitive issues – such as the possibility of a regional role for Japan's defence forces.

Such a possibility is admittedly very remote as long as the US remains committed to policing the western Pacific. Neither in the US nor in Japan is there much serious talk about revising the bilateral security pact which binds the two countries together and keeps American troops in bases in Japan.

But it is not difficult to imagine incidents in which US and Japanese interests might differ. Would the US necessarily protect Japan's sea lanes if they were blockaded somewhere in south-east Asian waters? If civil war in an Asian country forced Japan to evacuate its nationals, would American troops protect such a rescue mission?

These are small examples. On a bigger scale, both the US *and Japan have protested* to North Korea about its nuclear development programme. If Pyongyang did acquire such weapons, it would be quite reasonable to expect at least some government officials in Tokyo to consider whether Japan might respond by developing nuclear arms of its own.

Such incidents, and possible Japanese responses, could generate profound ructions in Japan. It is worth remembering that the event which most disturbed Japan's political stability since the war was the signing of the US-Japan security pact in 1960. The demonstrations in Tokyo were so serious that President Eisenhower cancelled a planned visit to Japan for fear for his safety.

Acutely aware of popular resentment of the peacekeeping bill, the government yesterday announced a publicity campaign to explain its purposes. Ministers will have their work cut out.

THAILAND URGES KHMER ROUGE TO CO-OPERATE WITH UN PLAN

By Victor Mallet in Bangkok

THE newly-appointed Thai government yesterday urged the Khmer Rouge, the left-wing Cambo*dian guerrilla group, to co-operate* with a United Nations peace plan for Cambodia, following reports of renewed fighting this week in the north of the country.

Mr Arsa Sarasin, Thai foreign minister, met Mr Khieu Samphan, the nominal Khmer Rouge leader, in Bangkok and said he asked him to soften his stand for the sake of Cambodia. "I told him, 'don't miss the boat'," said Mr Arsa.

Western governments and the UN have asked Thailand and China, the main supporters of the Khmer Rouge, to press the organisation to adhere to the peace plan following its refusal to co-operate with the second phase, which provides for the cantonment and disarming of the four factions, starting last Saturday.

Qian Qichen, the Chinese foreign minister, said during a visit to New Zealand yesterday that it was too *early to write off the Cambodian* peace process because the issue was "very complicated".

Cambodian government forces are reported to have launched a counter-offensive against Khmer Rouge guerrillas in the central province of Kompong Thom on Monday. Mr Yasushi Akashi, head of UN operations in Cambodia, blamed the Khmer Rouge and said government troops had the right to defend themselves.

The fighting will obstruct Mr Akashi's efforts to raise some $600m (£324m) for Cambodia's rehabilitation at an aid conference in Japan.

Before leaving Cambodia for the Tokyo meeting, Mr Akashi described the ceasefire violations as "pretty serious" and said the Khmer Rouge appeared to have returned to the offensive in northern Cambodia.

Yesterday Mr Khieu Samphan reiterated the Khmer Rouge view that it was *impossible to co-operate* fully with the UN until it confirmed there were no Vietnamese troops left in Cambodia and until it gave more power to the Supreme National Council at the expense of the Vietnamese-installed caretaker government.

Fidel Ramos wins Philippine election

MR Fidel Ramos, who helped topple a dictator and defeat six coup attempts, has won the Philippine presidential election after a convoluted vote count, Reuter reports from Manila.

The Philippine Congress still has to proclaim the winner of the May 11 elections, but the official tally of election returns showed the 64-year-old, West Point-trained general winning with 5.34m votes. In second place was Mrs Miriam Defensor Santiago, a fiery anti-corruption crusader, with 4.47m votes; businessman Mr Eduardo Cojuangco was in third place with 4.1m.

The results of the official tally came more than five weeks after the election. The delay was caused by complex rules designed to thwart widespread cheating that took place during the presidency of Mr Ferdinand Marcos.

Both houses of Congress, meeting in special session, are expected to proclaim the successor to President Corazon Aquino either by the end of this week or early next week. Mrs Aquino steps down on June 30 after a six-year term.

Mr Ramos, a former defence secretary and armed forces chief, secured less than a quarter of the vote in a seven-cornered battle for the presidency. He edged out Mrs Santiago, a former cabinet minister who has vowed to launch nationwide protests against the result, alleging vote-rigging.

Mr Ramos was supported by Mrs Aquino. He had helped her to power in a 1986 popular revolt which ousted Mr Marcos, and kept her in office through six coup attempts.

Aware that he was elected by the smallest percentage in the country's history, Mr Ramos has already sought the support of opponents.

SOWETO DAY PROTEST ACHIEVES WIDESPREAD SUPPORT

Nelson Mandela, the African National Congress president, marches with Cyril Ramaphosa (left), ANC secretary general, and *Joe Slovo, ANC adviser, in Soweto* yesterday. The ANC had a successful start to its mass action campaign yesterday, with most black workers observing Soweto Day by not going to work, and no reports of intimidation or violence related to the stayaway, Philip Gawith reports from Johannesburg. All the main cities reported large stayaway figures. The Johannesburg Chamber of Commerce and Industry said 88 per cent of city employees stayed away from work. June 16, the day the Soweto riots began in 1976, is traditionally observed as a public holiday by the black community, so it was *difficult to gauge the extent to which workers* were responding to the ANC's call for mass action. Many companies have negotiated June 16 as a paid holiday for their workers. The streets of Johannesburg were devoid of the normal bustle of hawkers, black-run taxis and pedestrians. Soweto, by contrast, was a hive of activity, much of it centred on the Orlando stadium for the main rally of 70 the ANC organised around the country yesterday. A capacity crowd heard Mr Mandela say mass action would continue so long as there was no progress at Codesa, the forum for constitutional negotiations *which have become deadlocked.* He warned, however, that "strict discipline" would have to be observed and dismissed talk of violence being carried into white neighbourhoods, saying this would be a disaster of the "first magnitude".

Speaking yesterday in Ulundi, capital of the KwaZulu "homeland", President F W de Klerk said the government was anxious to move to power sharing in the shortest possible time, but would not be bulldozed into an unsuitable constitution.

Power cuts hit Manila growth aims

By Jose Galang in Manila

A SERIOUS shortage of electric power in the Philippines is expected to reduce economic growth this year, according to businessmen and economists.

Mr Jose Pardo, president of the Philippine Chamber of Commerce and Industry (PCCI), told the Financial Times that growth this year, earlier estimated at about 2.5 per cent to 3 per cent, could now be "at the most 2 per cent" because of the power shortage. "The 3 per cent growth is definitely out," Mr Pardo said.

The policy-making National Economic and Development Authority last week also cut the top range of its growth target this year from 3 per cent to 2.5 per cent, because of power disruptions.

The state-owned National Power Corporation (Napocor) has over the past four months been unable to meet demand for electricity in the main island of Luzon, including metropolitan Manila. Since *October last year, Napocor has* had to ration electricity to users in Mindanao island.

Napocor's plants are mostly old and prone to break down when operating at peak periods. Most of its hydrothermal *plants, furthermore, are out of* commission because of widespread drought.

Intermittent power cuts lasted for 10 to 12 hours at their worst levels last month. This led to disruptions *throughout industry* with many factories in metropolitan Manila asking workers to report in the evenings when industrial areas get their electricity "rations".

NZ drought threatens industries

By Terry Hall in Wellington

NEW ZEALAND is facing a growing electricity crisis as South Island lakes which normally supply 60 per cent of the country's power dry up.

Many industrial plants are being forced to cut production, and New Zealanders have been warned they may soon have to work a four-day week to conserve dwindling power.

One of the biggest users, Comalco, owner of the big Bluff aluminium plant, has already cut electricity consumption drastically, and is likely to get compensation from the government. Comalco is considering the expensive option of closing a third of its capacity.

Electricorp, the national power utility, has been forced to bring two thermal stations, one coal and the other oil-fired, back into production. At one such station the state-owned corporation had to rehire workers whom it had made redundant less than three weeks before.

Domestic customers are already having their power cut for several hours a day, with the electricity system stretched to the limit as North Island gas, hydroelectricity, and geothermal generating stations are run at full capacity to try to replace the South Island's shortfall.

Mr Jim Bolger, the prime minister, has castigated Electricorp for not preparing the public for the crisis, which he says is doing immense damage by cutting industrial output as the economy is struggling to emerge from recession. At present legislation charges state-owned corporations with maximising revenues.

Algiers' corruption clean-up gamble

Francis Ghilès on risk of demoralising officials while seeking trust

TOSSING a bomb into a munitions dump was how one observer summed up the likely consequences of Algeria's bringing to trial General Mostefa Beloucif, who was arrested last month on charges of embezzling state funds.

Gen Beloucif, secretary general of the defence ministry from 1980 to 1987, was widely regarded as the second most powerful man in Algeria after former President Chadli Bendjedid, who stepped down in January. His arrest came a few days after the publication by the daily El Watan of a confidential report completed three years ago by a committee of five generals, which included the current defence minister, Gen Khaled Nezzar.

Gen Nezzar is also a member of the High Executive Council (HEC), which has ruled the country since the electoral process was suspended five months ago after the now-banned Islamic Salvation Front (FIS) won the largest share of the popular vote in the country's first multi-party elections.

Algerian leaders may be gambling that a clean-up is key to winning a measure of popular trust. Mr Mohamed Boudiaf, who returned from 28 years' exile to head the HEC, has made clear his determination to root out corruption.

Senior colleagues such as Mr Nordine Ait Laoussine, the energy minister, accept that the gravest challenge they face as they seek to implement reforms – as complex and painful as any taking place in eastern Europe – is "the credibility gap between the people and the leadership built up through years of mismanagement".

He recently told US oil executives: "A large segment of the population has, I am afraid, lost confidence in the capacity of the leadership to provide jobs, housing, health care and its ability to combat corruption."

However, a series of corruption trials is unlikely to reduce backing for the more than 4,400 remaining alleged FIS supporters who still languish in desert camps, and risks further demoralising civil servants and senior technocrats. Algerian leaders have gambled, correctly so far, that most people will shy away from civil strife, but the loyalty of the security forces and of the army is being tested to the full.

The hitherto unthinkable is meanwhile happening in the economic sphere. Mr Sid Ahmed Ghozali, the prime minister, has conceded: "There are no longer any taboos. If shares in state companies have to be sold to private investors, be they Algerian or foreign, we will do it."

But more action will be needed to convince the private sector, the myriad state company managers who are sceptical of reforms, western companies which have signed up for investments worth nearly $2bn in 122 local joint ventures since legislation was liberalised two years ago, and the International Monetary Fund with which a new facility is being negotiated.

Public enterprises – not all of which are in dire straits, as is made clear in a recent report compiled by Ernst and Young on state mechanical industries – are still paralysed by the uncertainty about their future.

Many leading international companies have responded to the liberalising of oil and gas exploration policies last year *by signing contracts*. Joint ventures have also been agreed, many with private Algerian companies, which allow for the manufacturing of pharmaceuticals, car parts, computers and building materials.

As a gesture of support the International Finance Corporation, the private sector lending arm of the World Bank, has agreed to lend $10m to support a joint venture between the Algerian state oil company Sonatrach, France's Air Liquide and Air Products of the US to build a helium plant.

Further foreign investment will depend in large part on domestic stability. A second challenge faced by the authorities is to rekindle some kind of dialogue with the fundamentalists. And, what is critical, the public has to be convinced that economic hardships ahead will not turn out to be another opportunity for a few people to line their pockets and their foreign bank accounts.

NEWS IN BRIEF

Freedom delayed for German hostages

THE whereabouts of two German aid workers, the last western hostages in Beirut, remained unclear yesterday despite announcements that they were being freed, writes Lara Marlowe in Beirut.

Mr Bernd Schmidbauer, the personal emissary of German Chancellor Helmut Kohl, kept his appointment with Lebanese President Elias Hrawi where he had expected to receive Mr Heinrich Struebig and Mr Thomas Kemptner, whose release was announced by the Iranian news agency on Monday night.

A statement from the kidnappers had promised the Germans *would be turned over at Mr Hrawi's residence. It* was widely held that the two spent Monday night at Syrian military headquarters in Beirut. Responsibility for the delay was widely attributed to Damascus. Mr Schmidbauer thanked Mr Hrawi and Lebanese officials for "their valuable support" in freeing the Germans. But he pointedly failed to thank the governments of Syria and Iran.

W Australia ex-premier held

Australia's ruling Labor party yesterday suffered another political blow with the arrest of Mr Brian Burke, the former Western Australia premier, for alleged misuse of parliamentary expense accounts, writes Emilia Tagaza in Canberra.

The arrest comes only months after the laying of corruption charges against another West Australian Labor figure, the former deputy premier, Mr David Parker.

Mr Burke, until recently Australia's ambassador to Ireland, was arrested in Perth by detectives from the Western Australian *official corruption task force. He faces five charges alleging that* he obtained more than A$17,000 (£7,000) from the parliamentary members' special travel account through false pretences. He was released on A$20,000 bail.

Iraq halts domestic flights

Iraq said yesterday it was halting all domestic flights because of a lack of spare parts caused by United Nations sanctions, Reuter reports from Baghdad. Mr Noureddin al-Safi, Iraqi Airways director-general, said the airline had lost more than $200m (£108m) as a result of sanctions and more than 4,000 employees were idle.

The sanctions have closed Iraq's airspace to international flights and grounded its civilian aircraft, permitting only two flights daily between Baghdad and the southern city of Basra using Ilyushin turbo-prop transport aircraft.

Mr Safi appealed to Iran, Tunisia *and Jordan, where 33 of* Iraq's civil aircraft are stranded, to allow the aircraft to return home. They were flown to sanctuary before the Gulf War began.

Indian workers strike

An estimated 15m workers went on strike in India yesterday in response to a one-day nationwide general strike called by left-wing unions to protest against the government's economic policies, especially the proposed closure of some public sector operations and the unemployment this would cause, writes K K Sharma in New Delhi. The response to the strike was partial in most parts of the country but well observed in West Bengal and Kerala. The stoppage was the second such protest since the government of Mr P V Narasimha Rao took office a year ago.

One person was killed in West Bengal in clashes between leftist workers and those supporting the ruling Congress party *but for the most part the industrial* action was peaceful. Rail and air services were particularly badly hit and banking operations, even in foreign branches, were paralysed.

Five killed in Kuwait blast

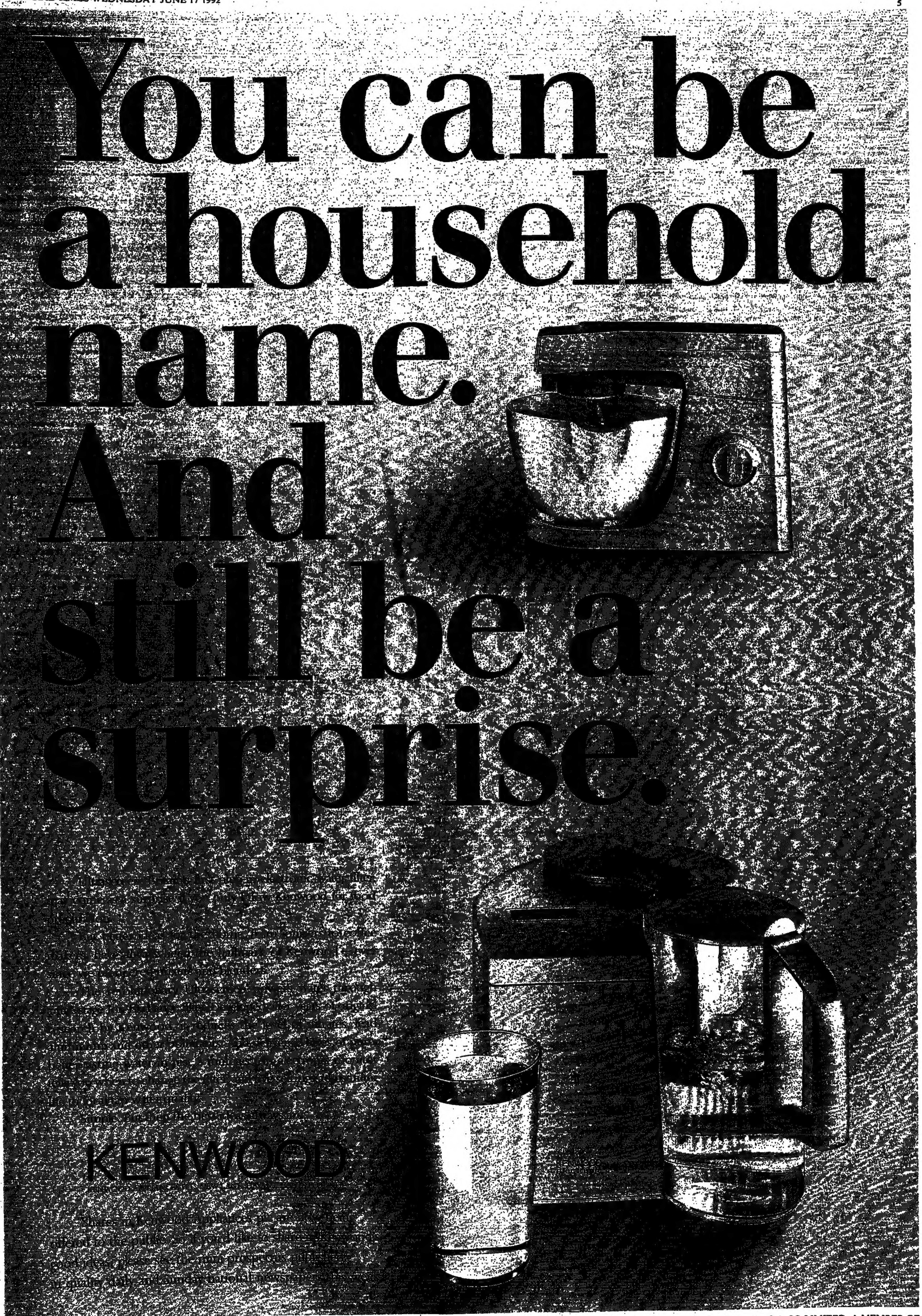
Five men working in Kuwait for a British company clearing *munitions left over from the Gulf War* have been killed in an explosion, AP reports from Kuwait. The Briton and four Indians were working near an ammunition dump 33 miles south of Kuwait City on Monday when the explosion occurred, *said* Mr Gary Dickson for the company, Royal Ordnance.

Royal Ordnance is nearing completion of a year-long contract believed to be worth $100m to clear leftover ammunition.

Carrian ex-head's trial halted

The trial of Mr George Tan, the former chairman of the *collapsed* Carrian property and shipping company, was halted yesterday while the Crown asked the UK when Mr Lorrain Osman, a Malaysian banker, would be extradited to Hong Kong, writes Simon Holberton in Hong Kong.

Counsel for Mr Tan told the colony's district court that Mr Kenneth Clarke, Britain's home secretary, had signed a warrant on Monday clearing the way *for Mr Osman's return to stand* trial, with Mr Tan, on fraud and conspiracy charges involving HK$6bn (£418m) of loans from Bumiputra Malaysia Finance.


You can be a household name. And still be a surprise.
KENWOOD

Drug Enforcement Agency's activity suspended after court decides kidnapping of suspect was legal

Mexico furious over US ruling on extradition

By Damian Fraser in Mexico City

MEXICO has reacted furiously to a US Supreme Court ruling that the kidnapping of a Mexican murder suspect was legal, and suspended all US Drug Enforcement Agency activity on its territory. It will also seek to re-negotiate its extradition treaty with Washington.

Mexico's Foreign Relations Ministry said the ruling was "invalid and unacceptable". It "transgresses essential principles of international law and ignores the extradition treaty which is the only legitimate and legally recognised way for obtaining the detention of a person in a sovereign state and later moving him to another".

The Mexican government called the kidnapping a criminal act.

The US Supreme Court ruled on Monday that Dr Humberto Alvarez Machain, indicted for the torture and murder of a DEA agent in 1985, need not be returned to Mexico as his kidnapping and spiriting away to the US did not break any US law. The decision to repatriate Dr Alvarez was a question for the executive branch, the court said.

The ruling overturned an appeal court decision that the abduction was illegal.

Dr Alvarez was seized in 1990 by Mexican nationals who were paid a reward by US agents. He was handed over to waiting US agents at the border.

The Foreign Relations Ministry's anger reflects Mexico's extreme sensitivity – for good historical reasons – to encroachments on its sovereignty by the US. However, both Mexico and Washington will be keen to ensure the row does not spill over and affect other areas of bilateral relations, particularly current negotiations to form a North American free-trade area.

The government said it would not allow the DEA to operate in Mexico until "new criteria of co-operation are established that respect our legal order and safeguard our national sovereignty".

The DEA had been working closely with Mexican legal authorities, and enjoys some of the credit for helping Mexico seize record amounts of cocaine last year.

The Supreme Court decision puts the Bush administration in an awkward position.

While it supports the right to seize suspects abroad for trial in the US, it has also called for increased international co-operation in the war on drugs.

Canada has also expressed concern over the US ruling. "I think it sends a very negative message," Ms Kim Campbell, justice minister, said.

It was possible the US could use the ruling to justify not following terms of the Canada-US extradition treaty, she added. Under the treaty, Canada can opt not to extradite someone or impose terms, such as requiring that the person not be executed if convicted.

Pemex split aims to raise productivity

THE Mexican government is to divide Petroleos Mexicanos (Pemex) into four semi-autonomous divisions in an attempt to improve productivity at the inefficient state oil company, writes Damian Fraser in Mexico City.

The four subsidiaries will be responsible for production and exploration; refining; natural gas and basic petrochemicals; and secondary petrochemicals. Each company will be free to decide its operating and investment plans, with full responsibility for financial results.

The subsidiaries will answer to a board of directors headed by the director-general of Pemex and comprising members of the government and petroleum industry. A statement from Los Pinos, home of Mexican President Carlos Salinas, said the new structure would not affect any of Pemex's foreign financial obligations.

Pemex is Mexico's largest company, with sales last year of $18.6bn, of which about 40 per cent were exports. The company, long seen as a potent symbol of national sovereignty, came under intense criticism after an explosion in April that killed more than 200 people in Guadalajara, Mexico's second largest city.

The government quickly took advantage of the attacks on Pemex and announced shortly after the explosion that a restructuring was imminent.

The company will, nevertheless, remain in the hands of the government after restructuring, although Pemex is expected to contract out more work to independent suppliers.

The division responsible for secondary petrochemicals will be expected to compete internationally, presumably without the benefit of subsidies from its parent company. Secondary petrochemicals are not reserved to the state under Mexico's constitution, and at some later stage the government could privatise this division without legal difficulty.

While the statement from Los Pinos was short on detail, the probable objective of the new organisation is to create an internal market within Pemex. The four divisions are expected to trade with one another on the basis of market-oriented transfer prices.

However, Pemex has blocked proposed management changes in the past and the efficacy of the latest plan will depend almost entirely on how successfully it is implemented.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 24TH JUNE 1992; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 24TH JUNE 1992; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 23RD JUNE 1992.

ISSUE OF £2,750,000,000

9 per cent TREASURY STOCK, 2012

FOR AUCTION ON A BID PRICE BASIS

PAYABLE AS FOLLOWS:

Payment on application:
with a competitive bid — Price bid less £65 per cent
with a *non-competitive* bid — £35 per cent

Balance of purchase money:
On Monday, 20th July 1992 — £35 per cent
Tuesday, 25th August 1992 — £30 per cent

INTEREST PAYABLE HALF-YEARLY ON 6TH FEBRUARY AND 6TH AUGUST

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The International Stock Exchange for the Stock to be admitted to the Official List on 25th June 1992.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 6th August 2012.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock *Transfer Act 1982 and the relevant subordinate legislation. Transfers* will be free of stamp duty.

5. Interest will be payable half-yearly on 6th February and 6th August. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 25th June 1992 and the first interest payment will be made as on 6th February 1993 at the rate of £4.9057 per £100 of the Stock.

6. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

7. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

9. Applications for exemption from United Kingdom income tax should, in the case of interest on stock, be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

10. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, *resident or ordinarily resident in the United Kingdom, and, in particular,* the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

11. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with this prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Separate arrangements have been made under which gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 a.m. on Wednesday, 24th June 1992.

12. Application forms must be sent to the Bank of England, New Issues, *PO Box 444, Gloucester, GL1 1NP to arrive not later than* **10.00 A.M. ON WEDNESDAY, 24TH JUNE 1992**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 A.M. ON WEDNESDAY, 24TH JUNE 1992**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 P.M. ON TUESDAY, 23RD JUNE 1992**. Bids will not be revocable between 10.00 a.m. on Wednesday, 24th June 1992 and 10.00 a.m. on Monday, 29th June 1992.

13. Each bid must be for a minimum amount and in a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
Competitive bids (minimum £500,000)	
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000
Non-competitive bids (minimum £1,000)	
£1,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000-£500,000	£25,000

14. *COMPETITIVE BIDS*

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock.

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing the **PAYMENT DUE ON APPLICATION, i.e. THE PRICE BID LESS £65 FOR EVERY £100 NOMINAL OF STOCK BID FOR**, must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserve the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decide that any competitive bid should be accepted (the *lowest accepted price*). ***APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID***: competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. *NON-COMPETITIVE BIDS*

(i) A non-competitive bid *must* be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be in one of the multiples described in paragraph 13 above.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing a **PAYMENT AT THE RATE OF £35 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserve the right to reject any non-competitive bid. *Non-competitive bids which are accepted will be accepted in* **full AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price is less than £100 per cent, the *amount by which the amount paid on application exceeds the* non-competitive sale price less £65 per cent will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per cent, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell to applicants less than the full amount of the Stock.

17. The Stock will initially be issued to the Bank of England at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of 9 per cent Treasury Stock, 2012 may be at a deep discount (broadly, a discount exceeding ½ per cent per annum) and in certain circumstances this could result in all 9 per cent Treasury Stock, 2012 being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of 9 per cent Treasury Stock, 2012 will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for *the purposes of the relevant provisions.*

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid on application, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. *In the event of such* withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 Stock. If an application is satisfied in part only, the balance of the amount paid on application will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise.

20. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 21st August 1992. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section D of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 25th June 1992 by means of a member-to-member delivery from an account in the name of the *Governor and Company of the Bank of England, Number 2 Account.* Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 25th June 1992 shall for the purposes of this prospectus constitute default in due payment of the amount payable on application in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a partly-paid letter of allotment to the CGO for cancellation and for the Stock *comprised therein to be credited to the member's account.* The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the *member's account and to obtain a partly-paid letter of allotment* comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

22. The Stock will be issued and sold partly-paid, with a call of £35 per cent payable on 20th July 1992 and a final instalment of £30 per cent payable on 25th August 1992. Payment of the call and the final instalment must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW. Payment in full may be made at any time after sale but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render such Stock and any amount previously paid liable to forfeiture. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 25th August 1992; *in the case of Stock held for the account of members of* the CGO Service payment of the call and the final instalment and registration of Stock will be effected under separate arrangements.

23. Until the close of business on 5th January 1993, stock issued in accordance with this prospectus will be known as 9 per cent Treasury Stock, 2012 "A". The interest due as on 6th February 1993 will be paid separately on holdings of the existing 9 per cent Treasury Stock, 2012 and on holdings of "A" stock registered at the close of business on 5th January 1993; consequently, interest mandates, authorities for income tax exemptions and other notifications recorded in respect of holdings of existing stock will not be applied to the payment of interest due as on 6th February 1993 on holdings of "A" stock.

24. Transfers of 9 per cent Treasury Stock, 2012 "A" may be lodged at the Bank of England for registration in that form up to 31st December 1992. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 9 per cent Treasury Stock, 2012. From the opening of business on 6th January 1993, the "A" stock will be amalgamated on the register with the existing stock. CGO account balances will have been amalgamated from the opening of business on 4th January 1993.

25. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

16th June 1992

APPLICATION FORM

This form must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 A.M. ON WEDNESDAY, 24TH JUNE 1992; or lodged at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 A.M. ON WEDNESDAY 24TH JUNE 1992; or lodged at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 23RD JUNE 1992.

ISSUE OF £2,750,000,000

9 per cent Treasury Stock, 2012.

FOR AUCTION ON A BID PRICE BASIS

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND
I/We apply in accordance with the terms of the prospectus dated 16th June 1992 as follows–

SECTION A — THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

Nominal amount of above-mentioned Stock applied for, which must be for a minimum amount and in a multiple as follows:-

Amount of Stock applied for	*Multiple*
Competitive bids (minimum £500,000)	
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000
Non-competitive bids (minimum £1,000)	
£1,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000-£500,000	£25,000

BOX 1 NOMINAL AMOUNT OF STOCK APPLIED FOR
£

SECTION B — FOR COMPETITIVE BIDS ONLY (i.e. for Stock to be purchased at the price bid)

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:-

BOX 2 PRICE BID

£	32nds

Amount of initial payment enclosed, being equal to the PRICE BID (shown in Box 2) LESS £65 for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A):-

BOX 3 AMOUNT PAID (a)
£

SECTION C — *FOR NON-COMPETITIVE BIDS ONLY* (i.e. for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Amount of initial payment enclosed, being £35 (b) for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A):-

BOX 4 AMOUNT PAID (a)
£

SECTION D — *THIS SECTION TO BE COMPLETED BY CGO MEMBERS ONLY*

CGO PARTICIPANT NUMBER.................Telephone number...................

Name of contact.............................

SECTION E — THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We hereby engage to pay the balance of the purchase money when it becomes due in respect of any Stock which may be sold to me/us pursuant to this application, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that *to my/our knowledge this is the only non-competitive application made for my/our benefit* (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION D, we request that any Stock allotted to us be credited direct to our account at the Central Gilts Office. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gilts Office Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 25th June 1992, and we agree that the consideration to be *input in respect of such delivery shall be the amount payable* by us on the allotment of such Stock in accordance with the terms of the prospectus.

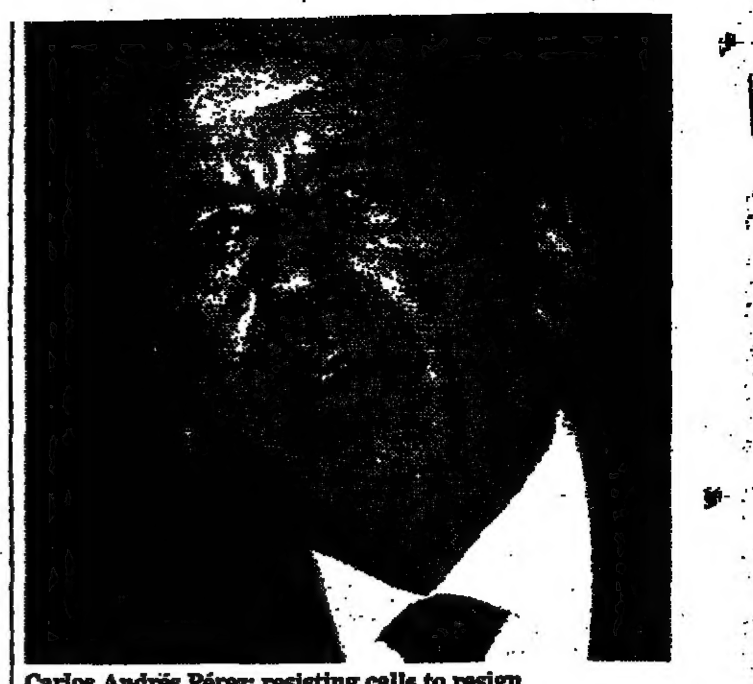
SIGNATURE(S)...............................
of, or on behalf of, applicant

Date...............................

PLEASE USE BLOCK LETTERS	MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
	FULL POSTAL ADDRESS:-		
	POST-TOWN	COUNTY	POSTCODE

(a) **A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.**

(b) **The procedure for any refund, or further amount payable, is set out in the prospectus.**



Carlos Andrés Pérez: resisting calls to resign

Sense of crisis still dogs Pérez

Pressure on Venezuela's government is mounting, writes **Joseph Mann**

MORE THAN five months after the coup attempt that came close to ousting President Carlos Andrés Pérez, a sense of crisis still pervades Venezuela.

The February 4 rebellion by junior army officers released pent-up anti-government sentiment and produced waves of angry protests against the Pérez administration. The officers said their action was intended to eliminate an inefficient and corrupt political system, punish those who had stolen from the state, repeal the government's three-year-old economic reform programme and guarantee national sovereignty.

In recent weeks the country has been shaken by dozens of violent anti-government protests staged by students in Caracas and other key cities. The students, along with many of the president's political opponents, are calling for the resignation of Mr Pérez and an end to his economic reform programme.

Mr Pérez has been resisting the calls, repeatedly stating he will remain in office until his term ends in February 1994.

Pressure on the government increased last week when the main opposition group, the Christian Democrat party (Copei), withdrew two members from the cabinet and as a political independent resigned from the Ministry of Economic Development. In filling the vacancies, Mr Pérez increased the number of serving military officers in his 26-member cabinet to two.

This was seen as a gesture to the armed forces, where discontent is still high. Many middle and junior level officers in the army sympathised with the grievances voiced during the attempted coup and there is concern these officers will try again.

General Fernando Ochoa Antich, former minister of defence who is now foreign affairs minister, has warned that Venezuelans are demanding "important changes" and that were the changes not achieved peacefully they would come through violence. Gen Ochoa, a widely respected army officer, played a key role in quelling the February military rebellion. Although a critic of the current state of Venezuelan democracy, he is a staunch defender of the democratic system.

The crisis has slowed economic growth. After posting the fastest growth rate in Latin America in 1991 – of 9.2 per cent – economists now believe growth this year will fall well short of the 5-6 per cent forecast at the start of the year.

Inflation has proved stubborn – it is likely to be about 30 per cent this year – and is running well ahead of wage increases.

Weak international prices for petroleum exports – which provide the government with most of its tax revenue – have also forced the state to scramble to deal with a widening fiscal deficit for 1992. This may have a bearing on its three-year loan agreement with the International Monetary Fund, which expires next March.

The government's main response to the crisis came in early March, when it announced a halt to price increases for petrol, electricity and a small group of medicines and basic consumption items. This remains the only aspect of the unpopular economic reforms that the president has been prepared publicly to alter.

He also promised in March wide-ranging judicial, financial and constitutional reforms, increased social welfare benefits and renewed efforts to punish past corruption.

The results so far have been meagre. The president managed to force early retirements from some members of the Supreme Court, and to replace them with politically independent judges. However, the impact of the new court on Venezuela's generally corrupt legal system will take time to be felt.

The administration has produced reform bills for the financial sector, begun overhauling the national health system, and increased the number of scholarships.

Mr Pérez has been *trying to* hammer together a "national accord" with the Copei leader Mr Eduardo Fernandez and other political figures and businessmen. This would specify several high-priority economic and social problems that the government would attack in its remaining 19 months in office.

To date, however, the plan has not taken shape.

"Even after the February warning, the government continues to talk a lot and to do very little", said Mr Freddy Rojas, president of Fedecamaras, Venezuela's largest business association.

US figures point to sustained recovery

By Michael Prowse in Washington

A SHARP rebound in housing starts and a solid increase in industrial production were yesterday seen as encouraging signs that the US economic recovery will be sustained through the summer.

Industrial output rose 0.6 per cent in May, to register its fourth consecutive monthly increase. Housing starts jumped 11 per cent, making good much of an erratic 17 per cent decline in April.

"The recovery is on track and gaining momentum, but still remains about half-speed relative to previous upturns," said Mr David Littmann, senior economist at Manufacturers National Corp, a Detroit bank. The main factor driving the recovery was the Federal Reserve's "very stimulative" monetary policy.

Doubts about the recovery's momentum had been raised by reports in the past 10 days showing weaker-than-expected retail sales and employment last month. The mixed pattern of statistics, however, is characteristic of a sluggish economic recovery, in which different sectors advance at differing speeds.

Housing starts are *running* at a seasonally adjusted annual rate of 1.23m, roughly in line with the average rate for the first quarter. In the first five months of this year, starts were 28 per cent higher than in the same period last year.

The housing recovery was broadly based, affecting all types of residential structures and all regions. Building permits, a guide to future trends, dropped slightly last month.

The rise in industrial output last month was led by increased production of cars, light trucks and other durable consumer goods. Production is now running 2.2 per cent higher than in May last year.

● Separate figures yesterday indicated that the US current account deficit fell to $5.3bn in the first quarter, against $7.2bn in the final three months of last year. The improvement reflected lower oil prices, higher receipts from tourism and increased earnings on overseas assets.

NEWS: AMERICA

Five offences by former US defence secretary alleged

Weinberger on Iran-Contra charges

By Jurek Martin in Washington and Alan Friedman in New York

MR CASPAR WEINBERGER, the US secretary of defence during the Reagan administration, was last night indicted by a special prosecutor on criminal charges stemming from the Iran-Contra scandal.

He thus becomes the highest-level US official and the first former cabinet member to be charged in relation to the scandal, which centred on the clandestine sale of weapons to Iran and the diversion of millions of dollars in profits to the Nicaraguan Contra rebels. The diversions, in 1985 and 1986, occurred in spite of a congressional ban on US military aid to the Contras.

Mr Weinberger was due to hold a press conference later last night. Earlier, his lawyer had said any indictment would be "a moral and legal outrage", and that his client had committed no wrongdoing.

The 31-page charge sheet identifies five alleged offences, two of perjury, two of making false statements and one of obstruction. Among them Mr Weinberger is accused of lying to Congress about his knowledge of the arms sales and of Saudi Arabian contributions to the Nicaraguan Contras.

The indictment of Mr Weinberger – defence secretary between 1981 and 1987 and now the publisher of Forbes magazine – follows an intensive effort by prosecutors to investigate allegations that top aides to President Ronald Reagan engaged in a cover-up and withheld information from Congress.

Yesterday Mr Craig Gillen, the deputy independent prosecutor, denied that Mr Reagan himself was a target of the investigations. "I don't want to leave any inference about other people," he said, in a reference apparently intended to include Mr Reagan and Mr George Shultz, the former secretary of state, who has also been questioned by the investigators. "This is about Caspar Weinberger," he added.

"Our investigation has been significantly narrowed by the events today," he added cryptically.

It remains uncertain whether the indictment could have an impact on President George Bush or lead to attempts by Mr Bush's opponents in the presidential election campaign to revive the scandal as an issue. Mr Bush has in the past criticised the five-year-old investigation of the chief special prosecutor, Mr Laurence Walsh, as a waste of time and money.

The Iran-Contra prosecutors in recent months have also questioned General Colin Powell, now chairman of the Joint Chiefs of Staff and a former aide to Mr Weinberger. Mr Powell is believed to have defended his former boss and to have described Mr Weinberger as someone who was frustrated in his efforts to stop the sale of arms to Iran.

The indictment focuses on Mr Weinberger's statements in June 1987 to the House committee that investigated the Iran-Contra affair and on his personal diaries, recently obtained from the Library of Congress, which apparently contain several references to arms shipments to Iran in 1985.

He told the committee he did not know about the shipment of US Hawk anti-aircraft missiles from Israel to Iran in November 1985 – and only learned about the shipment when the scandal became public a year later.

The November 1985 shipment was explored in the congressional investigation in 1987 and featured as an element in the conviction of Mr Oliver North, the former National Security Council aide. Mr North's conviction was overturned last year on appeal.

A grand jury is a special US jury which decides whether there is sufficient evidence to put an accused person on trial. Proceedings are conducted in secrecy until charges are publicly filed.

If convicted on all charges, Mr Weinberger, 74, faces a maximum penalty of 25 years in prison and $1.25m (£687,000) in fines.

Is the US system still working?

The Watergate burglary which led to the downfall of a president took place 20 years ago today. The outcome showed that most elements of the government were in good order. Jurek Martin wonders: Could the same be said today?

IN 1980, Ronald Reagan beat Jimmy Carter for the presidency by asking Americans a very simple question: "Are you better off now than you were four years ago?" The same question, adding 16 years, might well be put today, 20 years precisely since five men were caught in the act of trying to rifle the files of the Democratic party offices in the Watergate complex in Washington.

Whatever else may be said of the Watergate affair and the ultimate resignation of President Richard Nixon 25½ months later, the common denominator verdict was that "the system worked." It took its time – and did not prevent the landslide re-election of Mr Nixon in 1972 – but due process was observed and the roll of honour included most of the salient parts of any functioning democracy.

Among the most conspicuous were: an independent judiciary, exemplified by Judge John J Sirica, who refused to allow the leading burglar, Mr James McCord, to stay silent; elected representatives, such as Senator Sam Ervin of South Carolina and, in the end, Senator Barry Goldwater of Arizona, who saw the affair as something transcending party lines; independent and principled public servants, such as Mr Elliott Richardson, who resigned as Attorney General rather than fire, at the president's behest, the Watergate special prosecutor; and the press, above all Messrs Bradlee, Woodward and Bernstein of the Washington Post, who stuck to the story through thick, thin and a lot of official intimidation.

Richard Nixon in the White House with (from left) chief of staff H R Haldeman, appointments secretary Dwight Chapin and domestic adviser John Ehrlichman. All three sides were jailed for their part in the Watergate affair; the president was forced to resign 25½ months after the initial break-in.

Twenty years on, questions of conspiracy, malfeasance and cover-ups still perfume the air and some of the old instincts persist. A judge in Atlanta is convinced the US administration is concealing its involvement in the BNL scandal; congressmen insist on digging into the 1980s courting of Iraqi President Saddam Hussein; Mr Jack Kemp, the housing secretary, refuses to shut up about the plight of America's inner cities, though his president wishes he would; and the press still gets great stories from time to time.

But the sum of the disparate parts is nothing like as great as it was during Watergate and Americans do not think the system is working any more. This is why they are for the moment fascinated by Mr Ross Perot and anyone else promising root-and-branch change or a return to the good old days, or both.

A big difference is that there always was a focus to Watergate, a concrete drama compressed into a current and vivid timespan and involving larger-than-life characters, from the serving president downwards. The targets now are much more diffuse and the contexts even historical.

Did George Bush conduct clandestine negotiations with the Iranian mullahs in 1980, did Governor Bill Clinton smoke but not inhale marijuana in Oxford in 1969, did Mr Perot try to cut corners to get out of the Navy in 1955?

There are fine distinctions to be made here. The assassination of President John Kennedy in 1963 was, Watergate only arguably excepted, the national trauma of the post-war years.

Fascination with the sex lives of dead presidents (those of FDR, Ike, JFK and LBJ have all been exhumed) may be of legitimate historical interest.

But the justification becomes harder to make when current public figures are routinely impugned for events in their past, often long past and often with not even the implication of illegality, but by which they are now to be judged. Even that might not matter so much if the pursuit of the "character" issue were not conducted at the expense of investigation into more substantive and current issues.

But this, too, can easily be dismissed as nostalgic whingeing for the good old days of white hats and black hats, of Woodward and Bernstein versus the Nixon White House's Bob Haldeman and John Ehrlichman. It is perhaps more instructive to look at those salient parts of the functioning democracy and wonder where they are now.

It is sadly the case that there is no longer a pursuit only of excellence in the judiciary. The politicisation of the courts means the elevation of indifferent judges (Clarence Thomas) and the rejection of fine legal minds (Robert Bork). This may not be new but it has been carried in the last 20 years to disturbing lengths.

There is now, with too few exceptions, a predictable judiciary hewing to the narrowest interpretations of the law and disinclined to make stands on principle. That judges should be appointed on the basis of their views on abortion is a travesty of the intent of the US constitution.

Congress is in disarray, party discipline infrequent and the tendency to duck hard decisions increasing. There are men and women of principle from both parties, but the parties themselves are no more than loose and moving aggregations of special interests. Watergate produced the great "class of '74", a reforming generation if ever there was one, but too many have now left in frustration.

In the twilight of the Reagan years, the tradition of independent-minded public service seemed alive, in the persons of men like Howard and James Baker, who formed an effective regency. But political loyalty is now at the sort of premium that devalues the notion of independence.

Mr Kemp and Mr Bill Reilly, head of the Environmental Protection Agency, may be admired for the lonely furrows they plough, but their capacity genuinely to influence policy seems diminished by naked political considerations. And yet they do not quit and thus really establish their independence, as secretary of state Mr Cyrus Vance did in 1980 over the abortive mission to rescue the US hostages in Tehran.

The media has changed, too. Recently Carl Bernstein vented his spleen at the debasement of standards in a magazine article and Ben Bradlee is on record as saying he would not have published the Gennifer Flowers/Bill Clinton story. But all the handwringing merely confirms the fact that tabloid journalism, in print and on the air, too often sets the agenda for what is laid before the public.

Thus, in a sense, the four great arms of the democracy, which performed so well in Watergate, now see their responsibilities differently. – and are perceived differently in times which have changed so much. Which leaves the fifth, the presidency itself, which Richard Nixon so disgraced. All that can be said is that nobody who has served in the office since – Ford, Carter, Reagan and Bush, in whom the common denominators are not always apparent – has let it down so badly.

For that reason, perhaps for that reason alone, the US is no worse off than it was 20 years ago. But if the rest of the moving parts are creaking it certainly makes choosing the right person for the presidency that much more important.

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Presidential Address:
102nd Annual General Meeting of the Chamber of Mines of South Africa

South African mining:

A PRODUCTIVE FUTURE IN THE RIGHT CLIMATE

THIS IS AN ABRIDGED VERSION OF THE ADDRESS GIVEN BY MR T I STEENKAMP AT THE 102ND ANNUAL GENERAL MEETING OF THE CHAMBER OF MINES, HELD IN JOHANNESBURG ON JUNE 16, 1992.

This annual general meeting of the Chamber of Mines takes place on Soweto Day, heightening the awareness that we are at a critical moment in our country's progression to a hoped-for better future. Constitutional negotiations are faltering against a backdrop of unremitting, anarchic violence. Mass action looms and the spirit of conciliation that characterised earlier stages of negotiation appears to have made way for unyielding attitudes and far tougher bargaining.

Within this setting, our politicians must devise a constitution that will command common loyalty; they must then make it work in a context of enduring peace; and they must craft an economic system that will instil investor confidence and create the conditions essential to economic growth and the struggle against poverty and deprivation.

These are tough challenges but not cause for despair. Our collective will to succeed, evidenced in the Peace Accord's public pledge by the country's most influential individuals in September last year and by the referendum's resounding "yes" in March this year, must ultimately carry us through to conciliation.

The international community has not been slow in demonstrating its approval of the end of the era of apartheid for which we have all paid so dearly. While their final judgement is being reserved, they have already greatly lightened the heavy burden of isolation.

MINING'S FORTUNES

During the latter part of 1991 the economy weakened significantly. This was the result of falling domestic demand, poor agricultural conditions aggravated by a disastrous drought, and disappointing economic growth in the major industrial economies. The high levels of inflation and interest rates continue.

It is against this depressing economic backdrop that the gold mining industry in particular has been witness to a diminution of its real profits to a level not seen since the sixties. Financial pressures on the industry have been exacerbated by a rand gold price that has been virtually static for the past four years and, in real terms, has fallen by more than 33 percent over that period.

Last year the gold mining industry produced 598 tons of gold which, with Bophuthatswana's three tons added, yields a figure just four tons below the 1990 figure of 605 tons. In the case of Chamber member mines this was done by increasing the industry's average grade to 5,20 grams per ton in 1991 from 5,05 grams per ton in 1990. While increasing grade enables the industry to maintain its level of gold production, it does of course have the additional deleterious effect of shortening the lives of mines.

Considerable effort – much of it highly successful – has been devoted to reducing year-on-year working cost increases. For example, last year the working cost per kilogram of gold produced on Chamber member gold mines was R26 136 – an increase of just R403, or 1,6 percent, on the 1990 figure of R25 733. Considering that a mere five years ago, in 1987, the percentage increase in working costs over the 1986 figure was in the region of 25 percent, this really is a quite remarkable performance in cost containment.

Of course, since labour accounts for about 50 percent of total working costs, it is clear that further contraction cannot be ruled out if the industry's profitability continues to be squeezed. There is a limit, however, to the extent to which working costs can continue to be reduced by such means.

During 1991, more than 36 000 people employed on gold mines lost their jobs. So far this year there has been a shrinkage of about 15 000 more. Further mine or shaft closures are an additional threat, especially when considered against the fact that 12 mines employing nearly 100 000 people were marginal during 1991.

There is further cause for concern in the fact that in 1991, capital expenditure and dividend payments declined by 16,9 percent and 10,4 percent respectively on the previous year's figures.

The announcement of an investment of more than R1,7 billion to develop a new gold mine in the Orange Free State was a significant affirmation of faith in the future of the industry. Unfortunately, investments of this magnitude are infrequent and it is clear that existing burdens on the industry constrain investment.

While there appear to be no short-term indications of a dramatic improvement in the fortunes of the gold mining industry, the sentiment to emerge from the gold market during 1991 was that the underlying supply-and-demand fundamentals are gradually changing in a manner favourable for gold. There is hope.

The coal-mining sector, although not faced with the same intractable problems as gold mining, operates in difficult market conditions.

Domestic sales have remained at similar levels – about 130 million tons – for the past few years, largely as a result of poor economic growth. Internationally as well, coal is facing an oversupplied market, but current "post-sanctions" opportunities are pleasing.

Last year South Africa exported 48,5 million tons of coal. The lifting of sanctions, the closure of high-cost mines in Europe, and the phasing-out of the lignite-based power stations in Eastern Europe offer new export possibilities in the medium to long term.

The prices of platinum and other commodities were depressed during the past year by international recessionary conditions.

A VITAL CONTRIBUTION

The unspectacular performance of the mining industry over the past few years has prompted suggestions that it can no longer be perceived as a critical component in the future development of South Africa's economy. It is argued that what our country requires now is a diversification of the economy with manufactured exports occupying a position of primacy.

This is of course quite true, because there can be no doubt that the expansion of manufactured exports will inevitably provide much of the basic impetus for future economic growth. What is patently invalid, however, is the facile dismissal of mining as a significant generator of wealth in a future South Africa. This view fails to give recognition to the fact that minerals are essential to any growth in the manufacturing and agricultural sectors.

Provided the political and economic environments in which it operates are favourable, there is no reason to believe that the mining industry will have anything but an exciting and productive future. It will continue to create employment opportunities and wealth – not only for its own employees, but through the multiplier effect.

Last year the gold mining industry alone had a turnover of more than R18 billion. Material input amounted to R6,8 billion and value added to R12 billion, of which substantially more than half – R8 billion – went to employees.

But the industry's input is not confined to financial benefactions. Through the Chamber of Mines it is intimately involved in national debate centred on issues like education, health, housing, AIDS and environmental protection. Substantial contributions have been made in the quest for a new, all-encompassing dispensation. There is also much potential for good in the recent coming together of business, labour and the government to explore options for the economy.

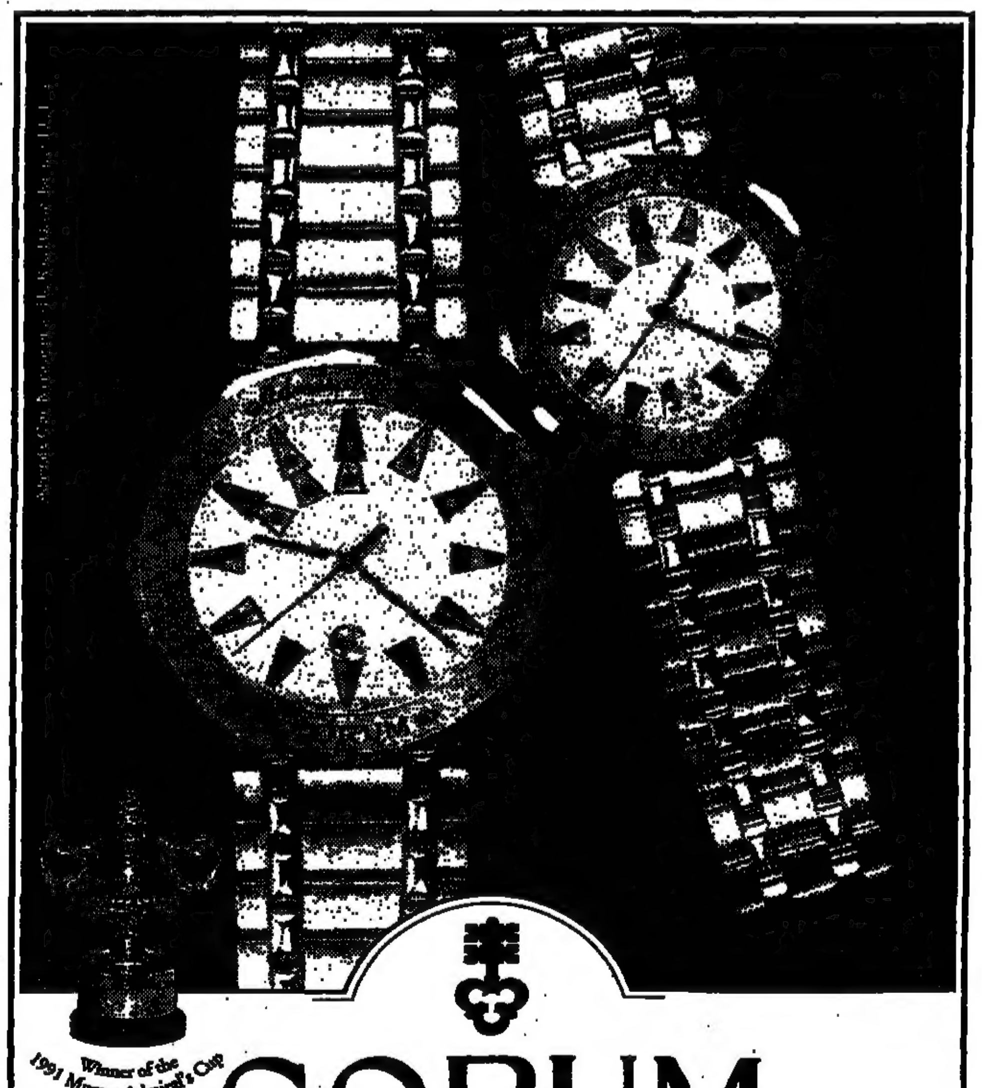
ROLE OF THE CHAMBER

The economic and financial constraints experienced by the mining industry in recent years have inevitably had an impact on the day-to-day operations of the Chamber and its affiliated companies. Rationalisation has taken place at all levels with reductions in expenditure and substantial decline in the number of staff employed.

The past year also saw concentrated scrutiny and re-evaluation of the entire Chamber concept. There have been clear indications that the Chamber's members desire a lean, user-oriented organisation. The advisory and support functions are regarded as being strategically important for the future of the industry, and it is on these areas that more attention will be concentrated in the years ahead. The operational activities of the Chamber's affiliated companies will continue, but it is intended that they will adopt a more arm's-length relationship to the "core" Chamber.

This major re-design of the Chamber's structure will, it is hoped, give a sharper profile to a strong and influential employers' organisation that will merit the commitment of the mines and the mining houses in a future that is expected to make greater demands on joint action by the industry.

The full text of this address is available from:
The Public Affairs Adviser, Chamber of Mines of South Africa, P O Box 809, Johannesburg, 2000



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THE BIG LIE: INSIDE MAXWELL'S EMPIRE

Devil take the hindmost

PART 4

Maxwell was able to borrow billions because his bankers and advisers overlooked or failed to recognise the signs of risk. Then, as the crisis deepened, all the possible lines of defence failed – regulators, auditors and stockbrokers – and Maxwell began raiding the pension funds. **Bronwen Maddox reports**

Maxwell sat at his desk in his 60-foot long office and signed over £75m of his pensioners' money to himself

TO *THE END* Robert Maxwell kept up the pretence that he was honest, that his empire was flourishing, and that his critics were malicious or wrong.

September 11 1991, seven weeks before his death, was his last ever performance at Maxwell Communication Corporation's annual meeting. Maxwell wore his favourite "sorcerer's" tie: bright blue, with yellow and red stars, lightning bolts ricocheting across it. In its centre was a large greenish food stain; the three secretaries at his side either had not noticed, or did not dare tell him.

"I hope to stay chairman permanently, but at the age of 68 I can give no assurances," Maxwell said with a touch of humour. The acknowledgement of his mortality was almost the only true thing he uttered in the following presentation.

Behind Maxwell's imperturbable expression, his empire was in crisis and he was already deep into one of the biggest business frauds of the century. Even so, two weeks later, on September 22, he wrote a blistering tirade in the Sunday Mirror saying that he treated pensioners from Mirror Group Newspapers better than other employers would have treated them.

In fact, Maxwell siphoned away £933m – most of it in 1991 – from his two public companies Maxwell Communication Corporation (MCC) and Mirror Group Newspapers (MGN) and from their pension funds.

In many ways, Maxwell's fraud was breathtakingly simple. On July 4 1991, for example, four months and one day before his death, the late publisher sat at his desk in his 60-foot long office at Maxwell House and signed over £75m of his pensioners' money to himself.

The contract, drawn up under Maxwell's instructions, was for the sale of shares in Scitex, a high-flying Israeli printing company and one of the most successful investments he made.

On one side of the contract was Bishopsgate Investment Management, the private Maxwell company which managed most of the £700m in the pension funds of the public Maxwell companies on behalf of 30,000 past and present pensioners. BIM owned the Scitex shares.

On the other side was Robert Maxwell Group, the company at the heart of Maxwell's secretive business labyrinth, whose ultimate owners lay in the tax-havens of Gibraltar and Liechtenstein.

Maxwell signed the contract as chairman of BIM. He then signed it again as chairman of Robert Maxwell Group: the pension funds would hand over their shares in Scitex to Robert Maxwell Group to sell in the stock market on the pension funds' behalf. Robert Maxwell Group would repay the pension funds.

That is what was supposed to happen. Robert Maxwell Group duly sold the shares on October 9 at an enormous profit. But, instead of giving the money back to the pension funds as agreed under the contract, Robert Maxwell Group gave the money to its banks to pay off debts.

Maxwell's action was not illegal at the time. However, when, on his death, his bankrupt companies could not repay the pension funds, the Scitex loss proved to be the single biggest hole blasted in the pension funds.

The Scitex scandal is typical of the Maxwell fraud. It was very fast, and very easy. It is typical in one other respect as well: the pensioners' money eventually found its way to Maxwell's banks, to pay down years of accumulated debt in his labyrinth of private companies.

It is clear now that signs of trouble in Maxwell's empire were visible from 1989 onwards. But they were either overlooked by Maxwell's lenders and advisors or their seriousness was not recognised.

All the lines of defence failed: Imro, the pension management watchdog; the auditors; merchant bank advisers; stockbrokers.

There are two main questions about the fraud: how was Maxwell able to steal more than £900m in just over nine months and could it have been stopped or detected earlier?

Some of the answers are complex – Maxwell set up his empire's tortuous finances to confuse observers and enable him to subvert the rules. But they are also simple. Neil Cooper – of Robson Rhodes, the firm of accountants appointed provisional liquidator to the pension funds – says of the Scitex loss: "It is difficult to put a more charitable interpretation on it – Maxwell just took the money."

Only a tiny core of Maxwell's executives had responsibilities that straddled both sides of the empire. Robert Maxwell and his sons Kevin and Ian were directors of all four parts of the group – although Kevin gave up his MGN position after its flotation in spring 1991. Beyond that inner circle Michael Stoney and Ron Woods had both public and private Maxwell directorships.

Maxwell was able to seize money so quickly because the sweeping powers he had secured as chairman of his companies allowed him to move money between them with little referance to anyone else. His policy of divide and rule concealed what he was doing from many.

The fraud sucked £933m from three parts of the Maxwell empire – the two public companies and the pension funds – to feed the fourth, the "private side," as Maxwell called it, which was tottering under years of accumulated losses and debt.

This private side was a tangled web of 400 secretive investment companies. It included some of Maxwell's most disastrous gambles: The European newspaper; the New York Daily News, the troubled US newspaper he had rescued in March 1991; Berliner Verlag, his attempt to start a Berlin newspaper; and AGB, the loss-making market research company.

Maxwell's death on November 5 exposed the fact that the private side had drained £448m from the pension funds' total assets of £676m. It had left behind only those assets that were hard to sell quickly – like a burglar taking the silver but leaving the dining room table.

From MCC – Maxwell's largest public company, valued at around £1bn on the stock market when he died – the private side had taken £388m cash and assets.

From MGN – the second public company, valued at around £400m – the private companies had taken £97m cash.

Maxwell had amassed enormous powers. He had the right to sign cash out of MCC's bank accounts or sign away its assets on his signature alone, although two signatures were needed for MGN deals.

In 1989, crucially, he was allowed to create the mechanism that let him raid the pension funds. First, he pooled the £700m invested by the separate pension funds of all his companies. Then he created a company, with himself as chairman, to manage most of that pot: Bishopsgate Investment Management. All but one of its directors were also directors of his own private companies, including himself, Kevin and Ian – a situation as far removed from the "arms length" model envisaged by regulators for company pension schemes as can be imagined.

BIM took control of pension investment policy from the trustees of the individual pension funds who could no longer see what was happening. BIM also took physical control of many of the actual share certificates.

With hindsight, the licensing of BIM by Imro in 1989, under the Financial Services Act 1986, was a vital step in allowing Maxwell access to pension money. Although it had never come across a model resembling BIM, Imro still licensed it under its rules for Occupational Pension Schemes, which do not have to submit audited financial accounts for inspection. Imro then visited BIM only once, and did not examine it closely.

'For 30 years he had done business this way — but he had always come up with the goods'

Two groups had extensive access to the empire as a whole: the larger banks – particularly the UK clearing banks whose loans stretched throughout the empire – and Maxwell's auditors Coopers & Lybrand Deloitte.

The banks lent the empire more than £3bn at its peak, in retrospect too great a burden. As their worries mounted they pressed for repayment or greater security and received more than £1bn in 1991. Most of it was siphoned from pension funds and the public companies.

In some cases, the ownership of those assets is now disputed. That claim is likely to be argued out in the courts. What does appear to be the case is that some of the banks did not probe the source of the cash too closely.

In their defence the banks can claim they received poor information. Some say they were given out-of-date figures on AGB and The European which hid the size of their losses.

It is also clear, however, that some banks dropped their usually rigorous standards in lending to the Maxwell empire. Maxwell raised the private side's loans of some £1.5bn from 80 different banks. As the loans were often just for a few months, and were usually backed by assets – property and shares – many of the smaller lenders did not bother to assess the state of the whole empire.

They were also complacent. One clearing bank director says in retrospect: "We did not normally have these [low] standards – even for a very well-managed company among the top 200 on the stock market we would normally ask for more information."

The same director explains: "For 30 years he had done business in this way – it was unsatisfactory but he had always come up with the goods."

At the time of Maxwell's death NatWest was the largest lender to his private companies. It had taken more care than many to notice what was going on, however, and judged – rightly – that the situation was becoming unacceptably risky.

Over the preceding two years the bank had halved its total loans to his empire to £182m – almost all of that to the private side.

One executive from NatWest says: "We said: 'He's a touch overweight and ageing.' Then there was the bewildering speed and variety of the deals and we said maybe the top was spinning a bit too quickly."

Other banks had part of their loans paid off after the flotation of MGN on the stock market. One bank whose loans were partly repaid during 1991 comments in retrospect that the banks' demands for repayment could have had a destabilising effect on the group: "The pressure we were putting on the companies – if you deprive anyone of that amount of cash it's equivalent to decapitalising a business."

Several banks became aware that the creditworthiness of the private side was deteriorating in May after the MGN flotation. Their response was to press for more assets – property and shares – to back their loans.

MGN, until it was separated by flotation, had been the private side's cash dispenser. But when it became a public company, obliged to pay dividends to shareholders, it was no longer able to donate its profits to Maxwell's private companies.

"The picture began to change so fast that we would need new projections of where the cash was coming from nearly every fortnight," says a director of one UK clearing bank.

The director and his assistant went to ask Kevin Maxwell, just days after the flotation, where the private side would now get cash to pay its bills. Kevin's answer – hardly reassuring – was "arguably, it would have been better not to have floated MGN". The banker says: "I just gulped, but was reassured that asset sales would bring down debt."

In many cases banks did not inquire closely enough where the comforting packages of cash or assets came from. Increasingly during 1991 the answer was the pension funds.

Of the £448m eventually missing from the pension funds, £248m of shares had been liquidated and the cash given to banks. The destination of the Scitex proceeds is just one example of this.

The other £200m lost from the pension funds occured when share certificates were simply handed over to banks as backing for loans. Robson Rhodes argues that banks should have known they were being given pension shares, because in most cases BIM's name was still written at the top of the share certificates. Neil Cooper says that in answer to being granted mortgages, banks need to answer where they thought the shares were coming from.

As the crisis gathered speed over the summer of 1991 Maxwell squeezed some fresh short term loans out of a few banks – from Midland Bank, Bankers Trust, and the Bank of Nova Scotia – but the money was drying up fast. "By September we were desperate," one clearing bank director says. "We could see there was just no cash-flow at all on the private side."

During this accelerating panic, the banks did not confer with each other. John Melbourn, NatWest's chief executive in charge of group credit risk, explains: "Not only is it against the rules of client confidentiality to talk to other banks, we wouldn't talk to them in circumstances where we think we have to make sure to protect our own security."

Maxwell thus evaded the scrutiny of the banks. An important potential line of defence failed. The next possible tripwire – the auditing of the books – also failed to rescue the situation.

Coopers & *Lybrand Deloitte* – as auditors to all the Maxwell companies, apart from the Gibraltar and Liechtenstein trusts – had access to all parts of the empire for audit purposes. Coopers were not in a position to check the books of the company on a day-to-day basis.

Coopers now says: "Maxwell had done nothing wrong since the 1970s; from our point of view he'd played it by the book."

Coopers says it did not detect the pension fund fraud because the last audit date was April 1990, and the pilfering of assets happened after that.

That April the audit had shown some small irregularities in stock-lending procedures. A subsequent audit would almost certainly have shown that the same practices had grown in the intervening period. But the audit report was not finalised until April 1991.

Coopers says the 12-month lag is within the Occupational Pensions Board recommended timetable and "pension fund accounts tend not to get priority in things; they normally take longer than public company accounts to be finalised".

However, the audit for the year to April 1991 never took place. One of the ways Maxwell avoided detection was by the simple device of extending the audit period. He simply declared that the next one would be December 1991, a gap of 21 months.

Why did Coopers agree – and why did it not insist on interim accounts? Coopers says that it is for the directors and trustees, not the auditors, to determine the audit date. But it adds that it did press for interim accounts in July 1991 and said – in a letter to Trevor Cook, the pension manager, dated August 9 – that 21 months was too long a gap.

Coopers adds: "Kevin was also a director of BIM and took some responsibility for pension affairs." In Coopers' view Kevin "had accepted the need for interim accounts", although no steps had been taken to prepare them by November when Robert Maxwell died.

A separate team of auditors from Coopers was responsible for the books of Robert Maxwell Group, *which acted as group banker for* much of the Maxwell empire, funnelling money in and out of all the companies, including many of the pension funds. The last audit of Robert Maxwell Group by Coopers was in December 1990, eight months after the pension audit.

The pension liquidators now believe that, by late 1990, the pensions funds were already lending some of their assets to Robert Maxwell Group in an irregular manner.

Coopers say that, at the date on which Robert Maxwell Group was audited, they "detected no irregularities".

A third audit team at Coopers was aware of worries at MCC in the days before Maxwell's death. During October Neil Taberner, the Coopers partner in charge of MCC, learned that the private companies owed around £100m to MCC.

Taberner did not communicate the information to Coopers teams looking at the rest of the empire, nor would he have had access to their views. Coopers operated a policy of strict separation between the four audit teams assigned to each arm of the Maxwell empire on the grounds of client confidentiality.

Coopers now says: "We are confident in the work we did. There is nothing we have particular concerns about. One greatly regrets the position of the pensioners."

As the crisis inside the Maxwell companies grew in 1991, there were a number of moments when outsiders caught glimpses of the problems that were to bring the empire down. As well as using BIM to manage the pension money, Maxwell used several respected City investment houses – such as Invesco MIM, Capel Cure Myers, and Lloyds Bank Investment Management.

According to writs filed against MIM and Capel Cure Myers by the Mirror Group Pension Fund – the largest of the Maxwell pension funds – the fund managers were aware by April 1991 of worrying patterns in lending out shares from the Maxwell funds. "Stocklending" is a legal and common practice among funds to boost their income, but the writs allege that the Maxwell stock-lending was irregular in many ways. Invesco MIM was worried enough, the writs say, to hold an internal meeting to discuss the matter in April.

Samuel Montagu, the merchant bank which had advised on the MGN flotation, was alerted to problems a month before Maxwell died.

On Thursday October 3 Ernie *Burrington, MGN managing director*, told Andrew Galloway, a Samuel Montagu director, that the Maxwells had taken £47m from the MGN bank accounts and would not give it back. Burrington said: "I have no evidence of anything illegal, but the lack of information is worrying me. Would you – Samuel Montagu – ask him?"

Burrington's call to the bank followed a row he had in Maxwell's bedroom at the Labour party conference in Brighton the day before. Maxwell had accused the MGN directors of meeting in secret "cabals".

On Friday, the MGN directors had a strategy meeting at Knutfield Priory in Surrey. Burrington accompanied Maxwell out to the helicopter waiting to take him to London when the telephone rang to confirm Maxwell's meeting with Samuel Montagu.

In many ways, the big fraud was breathtakingly simple — very fast and very easy

Later that day Ian McIntosh, a board director of Samuel Montagu, met Maxwell at Maxwell House in London. Maxwell told him that some money had already been paid back and some was going to stay in gilts - government bonds - as an investment.

McIntosh says that Montagu then "kept a dialogue" with the MGN directors as they tried to track down documentation. No money was recovered, however, and on Maxwell's death it emerged that a further £50m had gone missing.

Montagu says: "There's nothing more we could have done to protect the Mirror. It was a sound business. A manager's got to be allowed to manage. If we thought Maxwell should have been locked up we would have had no business listing the Mirror."

Another missed opportunity came between April and July 1991, starting around the time of the MGN flotation. Over that period orders were placed for around £300m of MCC and MGN shares. It is now clear that this was a huge, hidden scheme to prop up the shares of Maxwell's two public companies.

The scheme was essential to Maxwell's protracted survival. He needed to support the share price because he had pledged his own shares in MCC and MGN – his controlling interest – to the banks to raise loans for the private companies. If the value of the shares fell too far, the banks would call in the loans and the private side would crash.

Many of the share deals were carried out through Goldman Sachs, the blue-chip US stockbroker. Goldman Sachs was told by Maxwell that the Liechtenstein and Swiss trusts buying the shares were entirely independent of him. Goldman Sachs says it acted properly.

When the empire finally collapsed Maxwell's private companies had taken so much money from the rest of the empire that the pension funds were unable to keep up payments to the pensioners and MCC was pushed into administration under insolvency laws, to be dissected and sold in pieces. MGN is the only part that remains alive, although weakened.

At the Sunday night meeting of the banks and accountants on December 3 when the scale of the fraud was exposed for the first time an "audible gasp" went round the table. Several bank directors left early telling the others that they had lost their jobs.

Imro's own internal investigation has concluded that it should have singled out problematic members of Imro for special attention.

But not much else has changed. Coopers is still the auditor for MGN. The Serious Fraud Office is still investigating the support scheme, but will not be bringing charges against Goldman Sachs. If there is any criminal trial, Goldmans staff may well be called as witnesses for the prosecution to give evidence against those charged.

Even as his empire was slipping from his grasp, Maxwell – who never lacked bravado – could still take a joke against himself. In the spring of 1991 a banker was talking on the telephone to Maxwell. "I'm going to give up being chairman, and just meet presidents, and live on my boat in New York," Maxwell told him. "Oh look, there's a pig going past my window," the executive replied. "Is it a pink one?" Maxwell boomed.

The FT's team of journalists has interviewed more than 150 people in 13 countries. The team led by Bronwen Maddox included: **In London:** Jimmy Burns, Raymond Snoddy, Robert Peston, Andrew Jack, Norma Cohen, Richard Gourlay, Daniel Green **In Jerusalem:** Hugh Carnegy **In Liechtenstein:** Ian Rodger **In Moscow:** Leyla Boulton **In New York:** Alan Friedman

TOMORROW PART 5
Sins of the father

Transfer of Maxwell funds under scrutiny

By Alan Friedman in New York

INVESTIGATORS on both sides of the Atlantic are trying to discover if Maxwell group pension funds were included in the transfer of more than $200m last year from Maxwell private and public companies to the Daily News, the New York newspaper owned by the late Mr Robert Maxwell.

The inquiry is related to claims filed in the New York bankruptcy court seeking the recovery of $210.4m of funds allegedly transferred to Daily News accounts at the Chase Manhattan bank.

The Daily News has denied any wrongdoing and Mr Marc Kirschner, a lawyer for The News, yesterday called the newspaper "an innocent pawn in this thing".

Conversations with two executives involved in some of the fund transfers suggest an atmosphere of confusion and mystery in New York about both the sources and destination of the money, just two weeks before Mr Maxwell's death last November 5.

The executives have told the FT that in the space of a few days, during a visit by Mr Maxwell to New York that began on October 22, 1991, at least $86m of money arrived at the Daily News accounts from Mirror Group Newspapers (MGN) in London and was ordered by Mr Maxwell to be sent on to a number of US and overseas banks.

Court records show the $86m came from an MGN loan from the London office of Bankers Trust, the US bank. Court documents also show that the $210.4m of claims filed against the Daily News include:

- A claim by MGN for $90.5m, consisting of the $86m loan plus interest, and a further claim for $24.2m of funds that may have come from MGN. A third claim, of $1.7m, relates to a transfer made by MGN's Racing Times subsidiary in the US to the Daily News.
- Four separate claims made by Arthur Andersen, the administrators of Maxwell private companies, totalling $94m. The largest of these are a $64.2m claim on behalf of Robert Maxwell Group PLC and a $29.8m claim on behalf of London and Bishopsgate Group Limited.

Mr George White, a former managing director of Sporting Life – the MGN racing newspaper – who served as president of MGN's Racing Times in the US between April 1991 and February 1992, recalled being disturbed because "the money was coming from weird places.

"I raised the question in London as to why we at Racing Times weren't getting our money directly from the Mirror Group. I was told not to ask, that it was anybody's guess," Mr White added.

Mr White said that Mr Maxwell personally co-ordinated a number of fund transfers, often asking newcomers to execute his wishes.

"He would always make use of the newest people. They would be less questioning. They hadn't become aware of his tricks. It all fitted in with the old man's strategy of keeping people in the dark."

It remains unclear whether some of the more than $200m being investigated included $66m that Mr Maxwell received from the Tribune Group in Chicago as part of his Spring 1991 deal to acquire the Daily News. Some of the funds transferred through the New York accounts of the Daily News were used to pay various debts incurred by Maxwell companies.

Labour faced 'negative attitude' in election

By Ivo Dawnay

LABOUR'S much-awaited analysis of its general election defeat has concluded that the campaign was lost due to its failure to project a vision of the future and a "very negative" attitude towards the party that extended even to its own supporters.

The confidential report, drawn up by Mr Larry Whitty, the general secretary will be debated by the National Executive tomorrow.

Its conclusions appear to reverse the adage that "governments lose elections, oppositions do not win them". It suggests it was the growing impression that Labour might indeed win that drove thousands of undecided voters into the Conservative camp.

Mr Whitty said Labour was seen as "a party of the past and one which holds back aspirations and tends to turn the clock back". While that was encouraged by the Tory tabloid press, some responsibility must be attributed to the tone of Labour policy which "reflects a failure to project a strong enough forward and modernising vision for Britain".

IRA suspected as London sustains further bomb blast

British police stepped up their investigations yesterday into an alleged mainland bombing campaign by the Irish Republican Army (IRA) after a car bomb exploded in central London.

Police suspect the IRA was responsible for the bomb planted in a hijacked taxi (above), which exploded near Piccadilly Circus shortly after midnight. No-one was hurt in the blast although buildings in surrounding streets were damaged.

It was the first time on the mainland that the IRA had delivered a bomb in a hijacked vehicle, one of its favourite tactics in Northern Ireland.

Tuesday's explosion was the third Irish bomb attack in London in nine days and highlighted the difficulties security services face in combating the wide variety of tactics employed by terrorists.

Police said Tuesday's 1kg device was left on the back seat of a taxi hired by two men who forced the driver at gunpoint to drive around London's theatre district. They told the driver they were from the IRA before forcing him to drive to a street near Piccadilly, where they said their bags contained a bomb which would explode in 15 minutes, and ran off.

The IRA has used bombs, incendiary devices and mortar bombs to blow up telephone boxes, clubs, shops, military buildings and railway stations.

Its most audacious attacks were the 1984 bombing of a Brighton hotel where Mrs Margaret Thatcher, then prime minister, and her cabinet were staying and a February 1991 mortar attack launched from a van parked near Downing Street, site of the prime minister's London office.

Small bombs causing no injuries were placed last week outside London's Royal Festival Hall concert venue and in a litter bin near Parliament.

Police suspect the IRA has two active service units on the British mainland, supplemented by terrorists who slip in and out of mainland Britain undetected.

Senator used in abortive S&L bid

By Alan Friedman

THE late Mr Robert Maxwell used former Republican senator John Tower to seek US government assistance in 1988 for an aborted attempt to acquire 15 insolvent Texas savings and loans institutions, according to a former US bank regulatory official.

Mr Tower, who died in a plane crash last year, was a paid consultant to Mr Maxwell who also served on the board of Macmillan, the publisher owned by the Maxwell Communications Corporation (MCC).

In August 1988, Senator Tower went to see Mr Danny Wall, chairman of the Federal Home Loan Bank Board, the now defunct agency that previously regulated the US savings and loan industry.

The former Texan senator met Mr Wall to argue on behalf of a bid by Mr Maxwell for a group of 15 failing savings and loan institutions that were later declared insolvent, sold as a single package and renamed the Bluebonnet Savings Bank.

"Senator Tower came in to see me on August 2, 1988 to say he was representing Mr Maxwell. In the end we received a letter saying Mr Maxwell was no longer interested," Mr Wall said.

A Congressional investigator told the FT that "Maxwell hired Tower to try and grease the savings and loan deal" because of his political clout. But Mr Wall said he saw "nothing nefarious" in Mr Tower's approach on Mr Maxwell's behalf.

Mr Tower left the US Senate in 1985 and was later appointed by the Reagan Administration to head the panel investigating the Iran-Contra scandal. After leaving the Senate Mr Tower had a series of business ties to Mr Maxwell, for whom he acted as a paid consultant.

In April 1989 Mr Tower was named by Mr Maxwell to the board of directors of Macmillan. Mr Maxwell also paid the former Senator to serve as chairman of two Macmillan subsidiaries - Pergamon Brassey International Defence Publications, a publisher, and the Armed Forces Journal, a monthly magazine.

The Macmillan appointment came just a month after the US Senate rejected President George Bush's nomination of Mr Tower as Secretary of Defence.

Tube line extension plan likely to collapse

By Richard Tomkins, Transport Correspondent

PLANS to extend London Underground's Jubilee Line to the London Docklands redevelopment zone looked on the brink of collapse last night as Mr John MacGregor, transport secretary, ruled out the possibility of government intervention to save the line.

Mr MacGregor made it clear he was not prepared to let London Underground start work on the £1.7bn extension unless the private sector contributed the money originally promised by Olympia & York, the developers of Canary Wharf, now in administrative receivership.

"As I have made clear, we need £100m in cash during the construction period: that is what was promised, and no public funds are available in replacement," Mr MacGregor said.

Mr MacGregor made his position clear in a reply to the Federation of Civil Engineering Contractors, which had urged him to consider rescheduling the private sector contribution so that work on the project could begin.

Olympia & York had agreed to pay £40m towards the line's construction by March 31 this year and another £60m by March 31 next year. It had also promised a further £300m, but this was to be paid in stages over a period of 25 years from the end of the construction period.

Work on the line is due to start now with completion in 1996. If Mr MacGregor's statement is taken literally, it appears to allow for payment of the initial £100m to slip by up to three years, because it would still fall within the construction period.

Car industry chiefs deny scope for price cuts

THERE IS no scope for any general reduction in the price of British cars, leading figures in the motor industry told Mr Michael Heseltine, President of the Board of Trade, yesterday.

They said there was no "pot of gold" in their pockets and the public was being misled into believing car prices in Britain were unjustifiably high.

Mr Heseltine met Mr Ian McAllister, chairman of Ford of Britain; Mr William Ebbert, chairman of Vauxhall; Mr Geoffrey Whalen, managing director of Peugeot Talbot; Mr Colin Hope, chairman and chief executive of T&N and president of the Society of Motor Manufacturers and Traders and Sir Hal Miller, SMMT chief executive.

The meeting was held against the background of a recent European Commission report which said that there were differentials of more than 40 per cent in the prices of some car models across European Community markets.

The Commission's competition commissioner, Sir Leon Brittan, has called on car makers to improve price transparency and reduce price differentials. Sir Hal said he and his colleagues had told Mr Heseltine no further probe into prices could be justified.

A recent two-year investigation by the Monopolies and Mergers Commission largely cleared the British motor industry of anti-competitive practices.

Sir Hal said: "The general public has been misled into expecting somehow that car prices will be reduced. You only have to look at the results of car manufacturing companies and their profitability, or the lack of it, to see that is just not possible."

Abolition of National Economic Development Council

Tories defuse political clash

By Philip Stephens, Political Editor

IT HAD ALL the hallmarks of a classic Majorite compromise. Depending on which camp you asked yesterday, the abolition of the NEDC represented a victory for Mr Norman Lamont's economic liberalism or the foundation stone for Mr Michael Heseltine's promised *industrial* activism.

In political terms it was a neat way of defusing a potential clash between two of the most powerful figures in the cabinet over how the government should conduct its dialogue which industry.

Mr Lamont, who has long been sceptical about the highly publicised and politicised set-piece discussions in the NEDC on broad economic strategy, could justly claim that he had abolished the last vestiges of 1960s corporatism.

It was the chancellor who instituted the post-election review of the council's future, in effect pre-empting any move by Mr Heseltine to increase his influence over its deliberations.

The president of the board of *trade has long advocated that* the sponsorship of the NEDC, under its director general Mr Walter Eltis, should move to the department he took over after the general election. He has also made it clear that henceforth the Department of Trade and Industry (DTI) will adopt a much higher profile in championing the cause of British industry.

Mr Lamont was determined from the outset of the review that it should instead be scrapped, *underlining definitively* finally his view that macro-economic policy – and above all the priority given to the defeat of inflation – could no longer be regarded as a legitimate subject for tri-partite debate.

But the Labour spokesmen *who claimed yesterday that* Mr Heseltine had been outflanked by the Treasury were only half-right. With Mr Major brokering negotiations, the great survivor of UK politics made sure that the deal included an enhanced role for the DTI in overseeing the government's contacts with industry.

In a remark that reflected the obvious tensions between the two figures, Mr Lamont yesterday stressed that only a small number of officials from the *National Economic* Development Office would be switched to the DTI. Nor could Mr Heseltine expect extra money. The ultimate loser – Mr Eltis – yesterday expressed his regret and disappointment at the decision to head-off a potential cabinet row by closing the NEDC.

Mr Heseltine, however, has already announced he will reorganise the DTI's industrial divisions along sectoral lines. Under plans which he intends to announce next month, more of the department's efforts will be directed towards identifying areas where the government can help specific groups of industries. Mr Heseltine is particularly keen to identify those areas where British companies are weak in competing with overseas rivals so that the government's export assistance can be more closely targeted.

The Treasury, ever suspicious of such policies, will no longer be able to claim that such a strategy would be an unnecessary duplication of the work done by the NEDC.

More broadly, Mr Heseltine is pushing ahead with a strategy designed to give the DTI a much stronger role in co-ordinating across Whitehall policies which affect industry and trade. He is not interested in the classic interventionism of the 1960s and 1970s but he does believe that he can establish *himself* as industry's champion within the government.

Walter Eltis yesterday: disappointed by decision

There are clear limits to his ambitions – not least the prospect of a tough public spending round in the autumn and the instinctive suspicions of many in the Conservative party about his activist instincts. But some of his friends were feeling confident enough yesterday to remind journalists of the title of the book in which he first advocated a more prominent role for Nedo – Where There's a Will.

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Britain fails to emulate French-style consensus

Agreed policies were hampered by splits, writes Charles Leadbeater

IN the early months of 1972 some of the most powerful men in Britain, trade union leaders, civil servants, businessmen *and politicians* met regularly to plot the nation's economic future.

They drew up national economic plans which paved the way for the voluntary incomes policy the Heath government introduced in late 1972.

They met at the offices of the National Economic Development Office (Nedo). A former senior Nedo economist recalls: "We tried to agree on the rate of profit required to finance the investment needed to increase productivity by enough to finance the unions' real wage claims."

It was the closest Nedo got to creating a social and political consensus over economic planning and industrial strategy.

It was also indicative of one of the weaknesses, which has dogged Nedo from its birth in 1962 *to yesterday's* announcement that it is to be disbanded: the confusion between its different roles.

Nedo was created by Mr Harold Macmillan's Tory government in 1962 as an attempt to mimic the apparent success of indicative planning in the post-war rebuilding of French industry.

Nedo's planning role was discredited by the failure of Labour's national economic plan in the mid-1960s. Nedo was established when French planning was already becoming less effective and it lacked many of the tools which the French experience suggested were needed for planning, such as control of credit and exchange rate management.

After a brief but unsuccessful experiment with planning under Harold Wilson's Labour government in the mid-1960s, Nedo became a *feeble instrument* of incomes policy and industrial strategy in the 1970s. In the 1980s it withered under the ideological onslaught of the Thatcher government's attack on the corporate state. Although it survived it lived in political exile, constantly subject to suspicion and hostility.

On balance Nedo was not a success across its 30-year life. *It did not succeed* in its original aim of being the mechanism for public policy to improve industrial competitiveness. *It* was better at small things – economic reports and sectoral initiatives – than big things such as planning.

Its weaknesses were a reflection of the institutions which were its parents. The leadership of the TUC and the CBI could not deliver their members to agreements made at Nedo. In Germany social partnership at the national level is underpinned by a web of *regional* relationships. There is no such web in the UK.

Most importantly the central *state* was unwilling to devolve any of its power over economic policy to an independent body. Nedo was always overshadowed by the Treasury.

It was never a fully accepted part of the machinery of the state nor fully outside it. So it was deprived of influence over policy making on the inside but never had the political independence it needed to produce radical ideas.

Labour condemns 'vandalism'

BRITAIN'S opposition Labour party yesterday condemned the abolition of the NEDC, claiming it ran against moves in other countries towards a consensus on industrial policy, writes David Owen.

Mr John Smith, Labour "shadow chancellor", said: "It *is an act of* industrial vandalism. All our most successful competitors encourage rather than frustrate the creation of consensus. All this wretched government can do is abolish the only forum which brings together industry, finance and unions to discuss solutions."

Citing three NEDC reports which Mr Smith said criticised the government on education, electronics and engineering, he said: "The government's reaction to criticism, however constructive, is that the critics are to be eliminated."

The proposals were welcomed by Mr Edward Heath, former prime minister. "Vital discussions between all parts of industry for the future of this country" would be undertaken by the trade and industry secretary, he said.

Mr Alan Williams, former Labour *industry minister*, branded the announcement as "a smokescreen" to divert attention from the government's reversal of the non-interventionist role for the department of trade and industry it had previously advocated.

Mr Dennis Skinner, the Labour MP, said he would not miss the NEDC. It was time trade union leaders got back to their real jobs, rather than "mixing with bosses and supping claret."

Britain in brief

NY Names seek appeal over Lloyd's

New York lawyers acting on behalf of dissident US Names, *intend to appeal* against a US court decision dismissing part of their action against Lloyd's of London.

The case is the biggest of a series of actions brought by US Names who are are alleging that Lloyd's breached US securities laws when they were recruited. On Monday Judge Maurice Lasker dismissed proceedings brought by 91 Names against 319 Lloyd's syndicates.

The US district court judge ruled that the action could not be brought against the syndicates because under English *law they have no legal existence.*

Syndicates are annual joint-ventures, formed by Names, the individuals whose capital supports underwriting at the Lloyd's market. Ms Minna Schrag of Prokauer Rose Goetz Mendelsohn, said the Names would appeal. Action against three other classes of defendants – managing agencies, members' agencies and Lloyd's itself – would continue.

UK borrowing put at £3.1bn

Public-sector finances deteriorated by less than expected last month, but economists warned that Britain was still heading for a record deficit this financial year.

The public sector borrowing requirement in May was £3.1bn including privatisation proceeds of £800m mainly from shares in the Scottish electricity companies. This brings the cumulative total of the PSBR since April – the beginning of the financial year – to £6.6bn compared with £5.6bn in the same period last year.

Mr James Barty, UK economist at investment bank Morgan Grenfell, said: "The two monthly figures we have had so far are on the whole consistent with a PSBR of £32bn."

Osman escapes extradition

Mr Lorrain Osman, Britain's longest-serving remand prisoner, has escaped immediate extradition to Hong Kong on multi-million dollar fraud charges.

Home Secretary Kenneth Clarke, who signed an extradition warrant on Monday, agreed not to remove Mr Osman to Hong Kong after his lawyers launched a fresh bid to win his freedom.

They issued proceedings after learning through a tip-off that Mr Clarke had made his order and that the 60-year-old Malaysian banker, now in his seventh year as an unconvicted remand prisoner, was in danger of being flown out of the country. This latest move in a case which is causing growing alarm among MPs will be heard by Lord Justice Woolf next Monday. The judge will consider Mr Osman's record eighth application in *seven years to free* him.

Bristol bank investigated

The accounts of Deacon Hoare & Co, a small Bristol-based bank which went into liquidation last week, are being investigated for possible irregularities. Mr Peter Rilett, the liquidator appointed by the court from Peat Marwick's Bristol office, confirmed last night that he was looking at movements of money from the bank into other companies which shared some directors.

TUC claims breakthrough

TUC The Trades Union Congress (TUC), the umbrella organisation for most UK unions, has claimed a breakthrough in the eight-year dispute with the government over union membership restrictions at the Government Communications Headquarters (GCHQ).

The TUC said the government had responded to pressure from the International Labour Organisation (ILO) and was reopening talks with civil service unions.

MANAGEMENT

Paul Cheeseright assesses the Investors in People scheme

Setting standards for the working classes

In 1868, a Royal Commission noted that Britain was suffering from "not merely a deficiency in technical education but ... in general intelligence".

In the intervening 124 years, governments have made numerous efforts to do something about it. The latest attempt is Investors in People, launched two years ago, but still surrounded in confusion.

Conceived by the National Training Task Force, which advises the government on training, and gestated by the Department of Employment, it is now passing to harassed Training and Enterprise Councils.

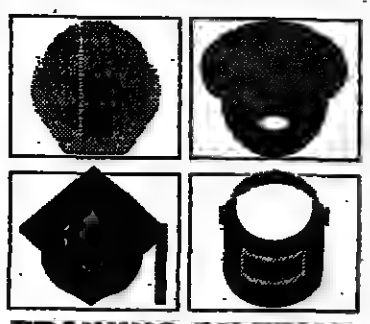
IIP – as we must now learn to call it – is a standard which represents, as a Birmingham Tec guide has it, "a benchmark against which employers can measure their progress in developing effective employee training and development policies." The underlying appeal to business of IIP is the effect on the bottom line.

"The real pay-back ... will come if you look at training in the same way as any other investment. You target it to meet specific business needs," says the official literature.

Cynics might claim this is just another injunction to business, longer on rhetoric than on reason.

Certainly the Tecs have no illusion about the size of the task. Underlying IIP are targets agreed by government, educators and business that by the year 2000, half of the employed workforce should be qualified to level three of the *National Vocation Qualification* or its academic equivalent. By 1996, half of the medium-sized and larger organisations in the UK should have attained the IIP standard.

To reach it, companies have to follow four principles. They must make a public commitment to develop all employees to reach specified corporate objectives. They must regularly review all training and development needs and identify the resources for this in their business plan. They must act to train employees when they are recruited and subsequently. They should continually evaluate their training and development, revising targets and commitments.


TRAINING ON TRIAL

"If we don't do it, we will not be in business in a few years time," suggested one Tec chief executive at a recent IIP brainstorming conference in Windsor called by Full Employment UK, a training consultancy. But, as it emerged at this conference, the immediate auguries are not promising.

IIP may be the umbrella under which everything else sits, but it does not yet offer shelter to many companies. The IIP standard, unveiled in November 1990, had by May been reached by just 54 companies. In Birmingham, only eight organisations are working towards it. In Manchester, 82 companies out of a possible 36,000 are going through the IIP system.

IIP has not yet found a place in the training and investment market place. Bill Nicholls, a training specialist at the *Engineering Employers Federation* says companies display one of three attitudes towards IIP. About 90 per cent greet the mention of IIP with the question: "I-I What?" Of the remaining 10 per cent, some look at the standard with enthusiasm because they want a kitemark. Others say they already have a training policy, and they prefer to press on as they are.

Companies which have grasped the training nettle have a variety of ways to win public acclaim.

- They can work for the British Standards Institution's BS5750, which contains a training element.
- They can seek to win a National Training Award, applications for which have recently been widely advertised by the Department of Employment.
- They can be seen to be taking part in local programmes – Birmingham Tec's Investment for Skills, for example.

However, there is confusion among companies over which route to take and most Tecs are in no position to offer clarification.

This springs partly from the structure of their budgets.

IIP is just an add-on to the training budget and one Tec chief executive described it as a product "worked up on the hoof as we have had the job of trying to deliver it".

The scale of effort and funding directed at the sale of IIP to recession-hit companies has been highly variable from one Tec to another. The variations imply uncertain priorities.

If, it was suggested at Windsor, nearly 90 per cent of the national workforce at the end of the century is already working, there is a case for putting more of a Tec budget behind IIP for the employed, rather than seeking to train the unemployed.

The retort from Tecs in areas of high unemployment, is that care for the jobless come first; if there is to be stress on IIP, there should be separate money for it.

Even if this dilemma is resolved, the Tecs are still confused about how, and to whom, IIP should be marketed. The conference indicated concern about internal Tec staff development: in 1992, few Tecs would be able to reach the IIP standard they are concerned to see others adopt.

Power to personnel people

By David Goodhart

Do good personnel policies contribute to corporate profitability? Can human resource management specialists add value in the same way that their colleagues in production, sales or finance do?

This is the Holy Grail of personnel management and researchers from Lancaster University and the University of Wales claim to have found it.

Looking at the performance of 50 UK manufacturing companies (mainly in engineering and electronics) over 10 years, the researchers found that those with more sophisticated human resource management systems had better return on capital.

"Before this research, many companies were believed to benefit from good human resource policies but it was difficult to assess the impact," said Steve Fox of Lancaster University Management School.

Now, for the first time, claims Fox, an "association" between policy and profit has been established.

The researchers took five personnel functions – recruitment and selection, management education, performance appraisal, reward and remuneration and company career planning – and looked at four measures of how they were practised.

The four measures were: how systematically were they conducted; how well integrated with each other; how well integrated with corporate strategy and how meritocratically applied.

They found that financially successful companies fared above average on all four measures. A particularly strong relationship was found between financial success and the integration of personnel policies with corporate strategy.

Is this really a first? Fox says there have been many individual company case studies but no studies that look so systematically at so many companies.

More fundamentally, is the whole project based on a tautology? Well-run companies are generally more successful than badly-run companies and well-run companies are likely to have well-run human resource management policies too.

How back pain can make you lose your marbles


HEALTH CHECK

Mention back pain to a group of managers, and you will set off a deluge of personal horror stories. Anyone who thinks bad backs are reserved for those who make a living moving pianos should think again. According to the journal Spine, more than 80 per cent of people in industrialised countries suffer from back pain at some point in their lives.

The more sedentary you are, the greater the risk of severe back trouble.

Back pain does not just reduce your mobility on the tennis court and up the career ladder, it is also expensive for your employers. In the US alone, back ailments are the second leading cause for going into hospital (after pregnancy), cost industry $14bn (£7.6bn) a year and 93m lost working days.

The back is a complicated structure: 33 vertebral bodies, the boney building blocks, are stacked on top of each other.

Between them are rubbery, fluid-filled discs, which cushion the weight of the upper body. Then there are the muscles (roughly 140) and ligaments, which hold the spine erect in a natural, flattened S-curve, the optimum shape for flexibility, weight bearing and shock absorption.

As long as the concave curve in the lower back is preserved, the disc can usually tolerate the compression that comes from the pressure of the body's weight.

Problems begin when you eliminate that inward curve of the lower back by habitually bending forward, thus compressing the disc backwards.

The technological advances of this century – TV, the telephone, computers and cars – have all contributed to the current epidemic of back problems.

All involve the worst possible activity for the back: long-term sitting.

But even if you spend most of your time on your backside, there are ways of avoiding back trouble.

- Regular aerobic exercise is crucial to maintain strength of the back muscles. Brisk walking is ideal. Complement these activities with some night-time stretching or yoga.
- Get rid of that pot belly and get your weight under control. Added weight distributed up front will only put more strain on the back muscles. The spine gets most of its support from the massive abdominal musculature, not the back muscles themselves. Tone up the abdominal muscles by flexing them while sitting on aircraft or driving.
- Lift objects properly. Perform the "marble test". In the morning, put a marble in your breast pocket. During the day, if the marble rolls out of your pocket, it is because you bent over, instead of squatting to pick something up. Let your legs do the bending. When lifting, keep the object very close to your body.
- In your car or at your desk, sit up and avoid stooping. During the day, tense your abdominal muscles to give them them the strength they need to support your back. Make sure your chair supports your lower back well.
- When travelling or shopping, divide the weight of your bags evenly so as not to strain one side more than the other.
- While driving long hauls, keep your knees higher than your pelvis. Maintain the natural curve of your spine by placing a cushion or a rolled-up towel behind your lower back to lend support. Do not twist your body getting in and out of your car. Re-align your back every hour or so by standing, placing your hands in the lower back and bending backwards.
- Sleep on a firm bed, on your side with the top leg bent and bottom leg straight.
- Women should not wear high heels, as they throw the back into an unnatural position.

If despite all this you do develop back pain, there is a whole array of therapies – massage, manipulation, acupuncture, ultrasound, deep heat, traction, shoe inserts, and surgery. The bad news is that none of these is 100 per cent successful. The good news is that most back pain subsides eventually, regardless of approach, with bed rest, aspirin and time.

Dr Michael McGannon

The author is medical director of the Insead Business Health course.

The Environmental Protection Agency's inability to solve the US's pollution problems is losing it the respect of everyone, says **Nancy Dunne**

Complacency breeds contempt

Since the day he took office as administrator of the Environmental Protection Agency in 1989, William Reilly has been caught in the crossfire between competing enthusiasts.

On one side are the environmentalists who see the EPA as inexcusably slow at implementing hard-won laws to protect the nation's land, water, and air. On the other is much of the business lobby and the anti-regulatory zealots in the White House, ardently battling a nightmare of costly paperwork and pollution control requirements.

International attention focused on the clash between the adversaries at the Rio Earth Summit, where Reilly sought to save face for Bush, who is finding his claim to be "the environmental president" increasingly ridiculed. A White House leak of a Reilly memo on discussions over a biodiversity treaty killed all chances of compromise.

It was in character for Reilly to attempt a settlement in Rio where the overwhelming sentiment was on the side of the environmentalists. In his years as president of the Conservation Foundation and the World Wildlife Fund, two leading conservation groups, he built a reputation as a conciliator, and he brought to the EPA his bias towards negotiation rather than confrontation.

It is in character for Bush to try to appeal to both sides of the debate, wrapping himself in the flags of environmentalism and anti-regulatory activism at the same time. In the controversy over preserving the Northern Spotted Owl at the expense of logging jobs, he explained his position in typical fashion: "We want to save the little furry feathery guy and all of that, but I don't want to see 40,000 loggers thrown out of work."

Reilly's moderation has disappointed many environmentalists who had hoped for a champion rather than a middleman at the EPA. They believe it is his job to represent environmental causes in the administration's inner councils where business interests are supported by the Energy and Commerce Departments and Vice President Dan Quayle's Council on Competitiveness.

With 17,000 employees – about 15 per cent of whom are political appointees – the EPA has a 22-year track record. Created by Richard Nixon in 1970 when environmentalism was in its infancy as a political force, the agency was a composite of federal regulatory groups welded together to attack the degradation of the nation's resources.

Since then Congress has passed a series of far-reaching laws to protect air and water quality, to control pesticides and toxic substances, and to clean up wastes. However, the regulatory process which has developed to implement the laws is appallingly complicated.

Usually on the orders of Congress – which has taken to mandating deadlines to speed the rulemaking process along – the EPA proposes a regulation, takes public and other agency comments, holds public hearings and proclaims a final regulation. The rules are challengeable in court, and in the litigious society of the US today, three-quarters of the regulations get challenged. At the very least, the court action adds about 18 months to the process, so that it takes the agency at least two years to create a regulation.

Jim Bovard, a former analyst for the Competitive Enterprise Institute, a conservative think tank, says the EPA creates rules which give the agency more power over industry and the US economy than is justified. Legislation requires thousands of pages of regulations and stacks of paperwork; an Eastman-Kodak application for a permit to handle hazardous waste was seven feet tall.

With the need to appear to be doing something about the economy, the White House deregulators increasingly have been getting the upper hand in disputes with the EPA. Last month, Bush ruled in favour of the Council on Competitiveness to allow companies which buy "emissions allowances" to increase their toxic air pollution by up to 30,000 pounds a year without notifying the public.

'Rules that implement the pollution control requirements in the Act are being stalled, weakened and quashed while rules that provide exemptions, waivers or bail-outs move quickly'

Rick Hind, legislative director for Greenpeace's toxics campaign, expresses his frustration with an administration which still claims to be environmentally conscious. "Bush will crow about the Clean Air Act, but he can't make up his mind. He wants to be the environmental president but he doesn't want to protect the environment."

Senator Max Baucus, one of the forces behind the Clean Air Act, in March released a stinging indictment of the administration. Critical regulations had been languishing for months at the White House along with overdue regulations controlling 189 toxic chemicals.

"Rules that implement the pollution control requirements in the Act are being stalled, weakened and quashed while rules that provide exemptions, waivers or bail-outs move quickly," the senator said.

Even the attempts Reilly makes to push the administration on environment get little appreciation. "Reilly was brought in to put a pretty face on the agency, but lately the EPA has been getting even worse than during the Reagan years," Hind says.

Somewhere in a corner of EPA is William Sanjour, a "whistle blower" who has served the agency for 20 years and has been isolated by his superiors for calling attention to the agency's failings. The administrator, he says, is invariably a "team player" who "can make all the speeches he wants about cutting down Brazilian forests and environmental ethics, but he must not do anything to make waves."

Sanjour says employees who like to see "concrete results" do not last long at EPA. "When it comes to drafting and implementing rules for environmental protection, getting results means making enemies of powerful and influential people," he said. "No, they don't usually get fired, but they don't get advanced either, and their responsibilities are transferred to other people and they usually leave the agency in disgust.

"The kind of people who get ahead are those clever ones who can be terribly busy while they procrastinate, obfuscate and can consistently come up with sufficiently plausible reasons for not accomplishing anything."

Sanjour talks about one deadline for action after another missed with little notice. Enforcement cases against influential polluters are started, not by the EPA, but by a combination of environmental organisations, the media or local citizens, he said. It often takes years of badgering before the agency will act. When fines are ultimately imposed, they are less than the polluter earned by breaking the law.

Another agency critic, Jerry Taylor, director of natural resource studies at the libertarian Cato Institute, insists that the EPA "wildly misspends its resources" and is entirely driven by politics. "It pursues issues that get them on page one," he said. "If there is a public outcry about something, it jumps and solves the problem whether the science is good or not."

The agency's own independent science advisory board issued a report saying that its most pressing concerns are given the least amount of attention while the most unimportant are given the most, Taylor said.

The EPA itself admits to a "mixed" record of accomplishments, but its critics say the most noteworthy gains have come on the heels of court rulings which required it to act. Although the car and human populations have grown, the air has become cleaner. Substantial progress has been made in phasing out sulphur dioxide emissions, but emissions of nitrogen oxides have grown. Hydrocarbon and carbon monoxide emissions have dropped by 28 per cent and 38 per cent respectively, but 110 urban areas failed to meet the national ozone standards set for 1989.

While many waterways have been cleaned through wastewater treatment and controls on industrial plants, toxic chemicals are a continuing problem. Fish have returned to some lakes and rivers, but they are disappearing from others. Population pressures are increasing the sources of pollution and at the same time leading to increased demand for clean water.

Polluters are now considered not only harmful and irresponsible but criminal, and enforcement has improved. The EPA is now focusing on prevention of pollution; efforts are being made to redesign manufacturing processes, substitute harmful materials for less dangerous ones and recycle wastes.

"Most people in the environmental community would say the EPA is not strong enough," says Blake Early, director of the pollution and toxics programme at the Sierra Club. "But relative to other environmental agencies around the world, the EPA is probably doing a reasonable job."

Green jobs at the top

Leading US companies are paying greater attention to environmental matters through executive-level appointments, according to a survey by Arthur D Little, the international consultants.

Almost half of the top industrial corporations in the US have vice-presidents in charge of environmental affairs, the survey shows, with sectors like electronics and forestry – until recently perceived as low risk in terms of the environment – seeing the greatest increase.

Arthur D Little looked at the top 100 companies in the Fortune 500 index and found that 49 had environmental vice-presidents in 1991, up from 38 the previous year. Of the top 50 corporations, 31 had executives directly responsible for environmental affairs compared with 25 in 1990.

The US forest products industry, facing increasing public pressure concerning issues like deforestation and recycling, saw the greatest increase: all but one of the seven leading forestry products companies in the top 100 had such executives last year compared with only half of such companies in 1990.

Stephen Poltorzycki, director of Arthur D Little's environmental health and safety practice, said that public and government scrutiny of industry was expanding from the oil and chemical sectors. "Only recently have controversies over deforestation, paper recycling and dioxins used in the paper-making process elevated environmental affairs in the minds of some companies in the forest products sector."

The electronics sector had been similarly affected by scrutiny of its use of chlorofluorocarbons (CFCs). "Despite the fact that major CFC-manufacturing companies have made strides in developing CFC substitutes for the electronics industry, public pressure has caused companies to take very visible steps in their efforts to be environmentally responsible."

Chemical and oil companies in the US have been well represented by environmental affairs executives for the past few years, with six of the eight chemical companies in the top 100 having vice-presidents in charge of environmental affairs.

Hilary de Boerr

FINANCIAL TIMES SURVEY

MADEIRA

Wednesday June 17 1992

Embroiderers get the needle; New image for an old favourite **Page 3**

Madeira is riding the crest of an expanding economy. Development has been boosted by the expansion of tourism and by Portugal's membership of the European Community which has showered the islands — one of Europe's poorest regions — with aid. **Patrick Blum** reports

Better times on the way

Funchal: once known for its sleepy lifestyle, the regional capital is now buzzing with activity — Picture: Alison Maitland

MADEIRA, a small group of islands in the Atlantic some 900km south of Europe, known for its natural beauty and a sleepy lifestyle is buzzing with activity.

A visitor returning after several years' absence may berate the loss of tranquillity in Funchal, the regional capital, as construction workers hammer away at roads and buildings and rush-hour traffic chokes up the city centre, but for most Madeirans these are signs of better times.

After several decades of near-isolation and grinding poverty, life in Madeira is improving noticeably and expectations have risen. Madeirans are still poor by European standards — per capita income in Madeira is less than 30 per cent of the EC average and only 60 per cent of that on the Portuguese mainland — but living conditions are better than they were a generation ago when emigration was the only alternative for many Madeirans looking for jobs and a better life.

About 1m emigrants of Madeiran descent live abroad, roughly four times the islands' current population of 253,000. Today, emigration has stopped, and some Madeirans have returned, wealthier than when they or their parents left, to start up new businesses. Unemployment has declined to 4.8 per cent, though under-employment remains widespread in traditional industries.

There are several reasons for the change. The 1974 revolution in Portugal, of which Madeira is a distant region, brought for the first time a significant measure of autonomy to the islands, and local politicians were quick to grasp the new opportunities.

Relations with Lisbon may be strained at times by Madeira's capacity to make a nuisance of itself, but the fearless crusade launched by Mr Alberto Joao Jardim, Madeira's somewhat eccentric but astute president, in defence of the islands' interests has paid off. Madeira today runs much of its own affairs, it has its own elected assembly, and the regional government can spend its tax revenue as it sees fit.

Economic development was boosted, first by the expansion of tourism, then by Portugal's membership of the European Community which has showered Madeira — one of Europe's poorest regions — with aid.

Tourism, now the islands' most important source of revenue, expanded rapidly in the 1970s and 1980s — between 1976 and 1991 the number of visitors more than doubled. The islands' somewhat old fashioned image and its lack of beaches helped to avoid the pitfalls of over-development and mass tourism, but the industry created thousands of new jobs and demand for new services.

Then, as an autonomous region of Portugal, Madeira benefited considerably from the economic boom that followed Portugal's entry into the Community in 1986.

Whether vision or chance was behind the decision to keep Madeira within the EC — unlike the Canaries which stayed outside — no-one doubts it was the right choice. "The European Community has played an important role in our development, and it is perhaps the most important factor for our future," says Mr Miguel de Sousa, regional vice-president responsible for the economy.

The regional government has proved particularly adept at ensuring that Madeira was not and is not forgotten in Brussels or Lisbon when budgets are drawn up. According to Madeiran statistics, the EC has allocated through a multitude of programmes more than Esc95bn for Madeira for the period 1986-93. This is roughly equivalent to Madeira's total gross domestic product for one year.

The impact of EC aid is visible in new infrastructures, health care provisions and improved training and education — a new university and research centre are being established with EC support — though illiteracy at 20 per cent of the population is still a serious problem even if it affects mainly older generations of Madeirans.

Moreover, a large proportion of EC-related investments have yet to be made, and the next few years will see development accelerate. That help will be vitally important as many of Madeira's traditional activities are declining or face an uncertain future as international competition intensifies. The completion of Europe's internal market by 1993 poses an additional challenge to Madeira.

Agriculture is the second most important activity, employing 21 per cent of the workforce, but it is inefficient and hampered by difficult terrain — only one third of the land can be cultivated. Bananas are the main crop, contributing 45 per cent of the value of exports, but Madeira faces increasing competition from producers outside the EC. The area under banana cultivation is to be cut back, and quality raised in an effort to safeguard the crop's future. "We can't stop producing bananas. If we stopped now, we would become a desert," says Mr de Sousa.

Madeira's famous fortified wine — not all of which is sweet — still accounts for almost 20 per cent of exports, but it is facing increasingly difficult market conditions in spite of attempts to promote it as an upmarket drink such as port.

To overcome these drawbacks, the government is encouraging diversification into market gardening produce, other tropical fruit and exotic flowers, but in the long run agriculture is likely to lose more ground to newer industries.

Traditional industries are also facing difficult times. Madeiran embroidery is renowned for its quality, but it has become dependent on Italy as its principal market, and even there, cheaper imports from China are undermining the future of Madeiran exports. Many believe the industry's survival is at stake as fewer people are willing to do the painstaking and poorly paid work involved, and as markets are undercut by the arrival of cheaper, if less elaborate, products from other sources.

To compensate for the decline of traditional industries, the government is placing high hopes on tourism and the service industries, and on transforming Madeira into an international business centre. After several years of gestation, and slow beginnings, the offshore financial and services centre is finally taking off with 21 banks and more than 500 companies licensed to operate. The growth of a new industrial free trade zone in Canical, on the island's south-eastern coast, has been slower, with only 10 companies licensed.

A new deep sea port at the site of the free zone will be completed in September, and work on modernising and expanding the international airport less than 10km away is due to begin later this year and to be completed by 1996. Along with other improvements to infrastructure and telecommunications, this should increase Madeira's attraction for companies.

By bringing new industries to Madeira, the free zone is seen as a potentially important source of new jobs. It will also reduce pressure on Funchal which is fast becoming overcrowded and help to promote development in the eastern part of the island.

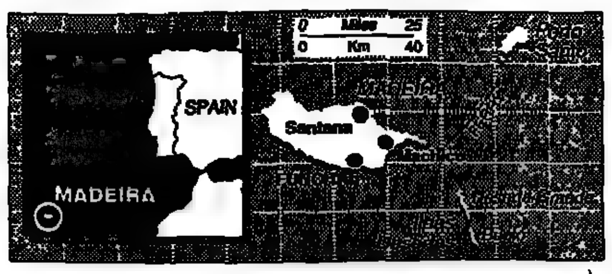
But tourism will remain the most important activity. Its development will have to be carefully controlled if Madeira is to retain its attraction as a mid-market destination for those looking for quiet holidays in an attractive natural environment.

Some diversification to encourage visitors in the low summer season, and conference-related travel, may also help, though again, it will need to be carefully thought out so as not to clash with maintaining Madeira's traditional clientele.

The future is open, and Madeira is in the fortunate position of being able to make its choices now as it rides the crest of an expanding economy.

Elections to the regional assembly are due in October and Mr Jardim's social democratic party is expected to increase its majority further. This gives the present team a unique opportunity to decide which way Madeira will go.

Mr de Sousa says: "This decade will be a crucial one for Madeira. At the end of it we will not be rich, but the most important things will have been done. I'm optimistic."



KEY FACTS

Area: 795 sq km consisting of four islands M deira and Porto Santo (both inhabited) and Ilhas Desertas and Salvagens (uninhabited)
Climate: Temperate. Warm summers (average temperature (21 deg centigrade) and mild winters (average 16 deg centigrade)
Name: Autonomous Region of Madeira (part of Portugal)
Population: 253,000 (1991)
Labour force: 129,900 (1991), of which primary sector 21.6 per cent, secondary sector 30 per cent, tertiary sector (48.4 per cent)
Unemployment: 4.8 per cent (1991)
Inflation: 9 per cent (1991)
GDP: Close to Esc100bn (government source)
Government: Social Democratic Party Led by Mr Alberto Joao Jardim, president
Currency: Escudo
Average exchange rate (five months to May 31,1992): \$ = Esc246.727, £ = Esc138.99

Patrick Blum traces the EC connection

New work opportunities for the young

Students watch a master chef at work

Picture: Alison Maitland

YOUNG women watch assiduously as a chef prepares the pastry for a traditional Madeira cake – a heavier, richer and far nicer sweet than the bland imitation sold in British supermarkets under that name.

The large kitchen is spotless with an array of modern ovens and working tables and a full range of cooking utensils. The students who listen so attentively are on a cookery course subsidised by the European Community. *When the course is over they will take* up a job in one of the island's hotels or restaurants. In the not-so-distant past they would probably have remained at home in a small village and done needlework at low rates of pay. Choices were limited, especially for women.

But all that has changed. EC membership and a generous dose of EC funds have helped to create new opportunities for most of Madeira's young people as well as to help to transform the island. Still poor by European standards, the island's economy is growing rapidly.

The scale of the change is striking. New roads, bridges, clinics and schools have been built or are under construction, new services and new jobs have helped to broaden choice for most Madeirans, especially for the young. Officials say *emigration has stopped, and* Madeiran society is slowly opening up.

"The European Community is perhaps the most important factor for our future. All our [new] infrastructures have been made with EC support. Without that support we could not have done it," says Mr Miguel de Sousa, vice-president of the Madeiran regional government.

Madeira is benefiting from so many different EC programmes that it is almost impossible to assess exactly the amounts involved, but according to Mr de Sousa, Madeira will receive about Esc50bn ($375m) in EC aid in the period 1990-93, an investment representing more than 10 per cent of its annual *gross domestic product during the four* years.

This includes a special EC multi-fund programme – known as Pop-Madeira – for the four-year period, under which Madeira will receive EC aid of Ecu219m ($276m) towards investments totalling Ecu313m. The programme is divided into eight sub-programmes with Community support ranging from 67 per cent to 75 per cent of total investments – the highest ratio of EC support in the Community due to Madeira's classification as a peripheral region with special development needs. Projects are aimed at developing infrastructures, tourism, energy resources, communications, transport, social and health services, modernising agriculture, fisheries and industry, providing training and *protecting the environment.*

It does not include additional EC support for specific projects such as the necessary modernisation and expansion of the international airport which is expected to cost around Esc60bn at 1991 prices, with the EC providing 75 per cent of the finance.

Mr de Sousa says the level of execution of EC-backed projects so far is close to 100 per cent.

As the economy is being modernised, old traditional industries are giving way to new ones, and preparing a new workforce or retraining older workers takes on added urgency. This is an area where EC help is also playing an important role. Professional training is 100 *per cent EC-funded, and this has* encouraged some companies to set up in Madeira. Training is carried out either at the workplace or at the Centro Regional de Formacao Profissional (CRFP), set on a hill overlooking Funchal. Mr Carlos Estudante, director, says: "We have low unemployment of around 4.8 per cent, but we have a very young population. Education and training are very important for us."

The centre has several workshops, classrooms, as well as the kitchen where students were learning how to bake cakes. Some students live in, others come daily, depending on their courses which can last three years.

Twice a year, EC officials visit Madeira to check on the development of training programmes which have been allocated Esc6.1bn ($46m) from its social fund for the period 1990-93. The regional government will contribute close to Esc3bn bringing total planned expenditure on training to around Esc9bn for the period. Over 18,000 trainees representing almost 14 per cent of the present workforce of 130,000 will have benefited from EC-supported training programmes by the end of 1993.

But the centre not only provides courses in a wide variety of subjects from cookery to industrial design and computing, it is also responsible for supervising in-house training programmes carried out by companies. Its inspectors check that EC funds given for training are properly used, and that *apprentices and trainees are given an* appropriate formation. Mr Estudante says: "We want to make sure the training is of the right quality and that it creates real jobs for Madeirans, otherwise it would be wasted."

The farms consist of terraced steps built up the mountainside

Picture: Alison Maitland

Agriculture is an important activity, says **Alison Maitland**

Farmers have an uphill struggle on the slopes

WHEN Portuguese navigators first set eyes on Madeira in 1419, they found an island covered in dense forest. Fires were lit to clear the land for cultivation and legend has it that the island burned for seven years.

Today the regional government of Madeira – the word means wood in Portuguese – plans to extend what remains of the ancient forest by replanting it with species of laurel and mahogany found only there and in the Canaries and the former Portuguese colony of Cape Verde.

Under a four-year forestry programme worth Esc1.5bn, to *which the European Community* will contribute, the authorities aim to buy up small woodland holdings to protect saplings from grazing sheep, stop soil erosion and stamp out fires that are often started as a result of quarrels.

The programme is just one aspect of the government's efforts to make more efficient use of the land and improve the competitiveness of Madeira's main exports.

Agriculture is literally an uphill struggle. Madeira, the largest island in an archipelago, is the summit of a mountain range which erupted from *the sea bed, its highest point* 1,861 metres above sea level. Fishing is unproductive because the waters are too deep, so Madeirans concentrate on the land, exploiting its fertile combination of volcanic soil and wood ash. The farms consist of terraced steps built up the mountainside or the sheer rock face or to the trees that crown the summit.

The terraces are kept in place with neat, grey stone walls and the land is irrigated by a network of more than 1,000km of *levadas*, or channels, which bring water from the wet north to the drier *south. Cows live in small sheds* because the land is too steep and too precious to let them graze. Vegetables are grown underneath vines in winter to double the capacity of the plots. And on the most precipitous slopes farmers descend with ropes to tend their vines.

Once dominating the economy, agriculture is now the island's second most important activity, contributing 13 per cent of GDP in 1986, the latest available figure. Some 22 per cent of the workforce was engaged in agriculture last year, down from 36 per cent 20 years ago. Bananas, the main crop, account for about 45 per cent of exports, followed by Madeira's famous sweet wine, with 18-20 per cent.

Production remains highly inefficient. Over 80 per cent of the farms are less than half a hectare in size, and many are dispersed, making economies of scale difficult. About 20 per cent of the population is illiterate, mainly in rural areas, and young people have found jobs in the service industries around Funchal. Farming methods are often out of date.

To add to their problems, rural Madeirans now face the *threat of competition to their* main export. The island sells 40,000 tonnes of bananas to mainland Portugal each year. This is tiny in terms of the European market – indeed, it meets less than half the mainland's needs – but vital to the small island.

In April, the European Commission proposed an EC-wide quota on imports of much cheaper "dollar bananas" from Latin America, instead of the tariffs required by the Gatt. This protective measure requires a waiver of trade rules from the EC's partners in Gatt, which is likely to be opposed *by producers in Latin America* and the US multinationals which operate there.

If the quota plan goes ahead, it will give EC banana producers such as Madeira and the French Caribbean islands a breathing space to adapt to competition.

Madeira's agriculture secretary, Mr José Pereira de Gouveia, says he is confident and worried about the future – confident the EC will stand by its treaty obligations to protect Madeira's market and will take account of the peculiar circumstances, worried because "we have a lot to do to improve the *quality of our bananas*".

The government plans to reduce the land used for banana production from 1,700ha to 1,200ha over the next four years, cutting output to 30,000 tonnes a year. At the same time, irrigation will be more carefully controlled and taller plants producing bigger bunches will be introduced. A marketing effort will be launched, emphasising the "natural" methods of irrigation and low use of chemicals.

Sugar cane, the source of Madeira's past prosperity, became uneconomic and has virtually died out. However, Mr Pereira de Gouveia rules out abandoning banana production. "We can reduce the amount of land," he says. "But it's impossible for us to have a substitute for bananas." Indeed, he hopes that the small, sweet Madeiran banana may one day find its way into the wider European market.

Meanwhile, diversification of agriculture will continue apace. The 500ha released from banana production will be used to satisfy local and tourist demand for greenhouse products such as tomatoes and lettuces – Madeira has to import many of its vegetables as well as meat, cereals and milk.

Exotic flowers are now being grown for export and the tourist market. Orchids and strelitzia, or Bird of Paradise flowers, can be found in hotel lobbies, packed ready for the flight home. Exotic fruits such as mango, custard apples and papaya are being grown in greater quantities.

Restructuring requires money, and here too there is a struggle, this time with Lisbon. Under its 1988-1993 agricultural programme, Madeira was due to receive Esc5.3bn, 75 per cent from the EC and 25 per cent from Lisbon. But the EC money depends on Lisbon paying up, and Mr Pereira de Gouveia says only 14 per cent of the total has been forthcoming.

Tourism is the islands' leading source of revenue

A balmy resort off the beaten track

Funchal landmark: the casino building has a distinctive design

Picture: Alison Maitland

MADEIRA'S natural beauty, temperate climate and lack of crime are its greatest attractions, according to tourists questioned in a recent survey carried out for the regional government.

What spoiled things, they said, was the heavy traffic, noise and pollution in the capital, Funchal, where the holiday hotels are concentrated.

At Reid's, the palatial 101-year-old hotel that caters to the top end of the tourist market, a related concern is frequently expressed. "What guests don't like is all this building work," says Mr Peter Späth, the hotel's German-born general manager. "They have seen other examples like the Canaries and Torremolinos, and they're scared it will become the same here."

These two complaints epitomise the difficulty facing Madeira's tourist industry: how to achieve further growth without harming the island's natural assets and antagonising the very segment of the market on which tourism depends most heavily.

The majority of tourists are middle-aged or elderly people from Britain, Germany and Scandinavia, who escape the north European winter for the tranquillity and balmy temperatures of an Atlantic island lying 400 miles west of Morocco. A good proportion come back again and again.

Madeira has attracted tourists for 200 years, building its reputation in the last century as a health resort for Europe's wealthy and titled. At first they came on ocean liners, later on flying boats, until the opening of the airport at Funchal in 1964 put the island on the modern tourist map.

It has so far avoided the mass market – there are, for example, only 15,000 hotel beds compared with nearly 200,000 in the Canaries, and they are concentrated in four-and five-star hotels. But tourism is profitable and the industry is expanding fast. It has become Madeira's leading source of revenue, contributing 23 per cent of GDP and employing about a fifth of the workforce directly and indirectly.

Today, Madeira depends on tour operators for nearly 70 per cent of its market. The change is not to every islander's taste. "We're even getting tourists who bring their own food," *sniffs an elderly expatriate.*

In the past few years, many summer visitors have begun to arrive from Portugal, Spain, Italy and France. The low season is confined to May and June, and international conferences are being encouraged to take up the slack.

About 470,000 visitors are expected this year, the same number as last year, when Madeira benefited from an extra influx of tourists scared away from the Mediterranean by the Gulf war.

The success of the industry inevitably suggests further growth. Demand is reflected in the 75 per cent occupancy rate in Madeira's hotels. Ageing populations in Europe and America mean more, better-off customers with time on their hands, and Madeira has a particularly young population available to serve them.

But the government is aware of the dangers of rapid development. "The quality of the environment will be important," says Mr Miguel de Sousa, vice-president in charge of the economy. "People will seek quality. If Madeira is successful, it will be on that basis."

The plan is therefore to limit the increase in accommodation so that the island has a maximum of 22,000 beds by the end of the century and to set guidelines for new developments. Mr *Carlos Alberto Silva, director* of tourism, admits that Madeira has not been strict enough with developers in the past. "Now we're making new investments more sensitive, using roofs with tiles to keep the local character," he says.

High-rise concrete hotels are still springing up in and around Funchal, but there are examples of more harmonious building, such as the 38 apartments and six town houses that comprise the luxurious Reid's Gardens development, with red-tiled roofs and architecture which blends with the famous hotel on the promontory above.

The government is encouraging new, smaller hotels and guesthouses in the west of the island. A highway between Funchal and Ribeira Brava, 40 km to the west, is due to be finished at the end of 1994. It will cut the journey from half an hour to 10 minutes and bring the countryside to the city, says Mr Silva. It will also ease the congestion in Funchal, where half the island's 250,000 people live.

Another important development will be the 1,000-metre extension of the airport runway, due to be completed in 1996 or 1997. This will allow intercontinental flights, *enabling the island to promote* itself in the US and Japan, and in South America, where many Madeiran emigrants live.

Few young families come to Madeira because it has no sandy beaches. But there is a 9km beach on Porto Santo, an hour and half's boat ride or 15 minutes' flight away. The number of beds there has doubled to 800 in the past three years, and further expansion is planned, up to a maximum of 2,500 beds, in the hope that tour operators will begin to sell package holidays there – the island, although otherwise undeveloped, has a 3,000 metre runway.

The lack of beaches on Madeira has encouraged the industry to develop other outdoor activities and niche markets. Deep sea fishing and diving is becoming popular. Two new golf courses, of 18 and 27 holes, are under construction outside Funchal. Up to 30 different walks are available along the irrigation channels, or levadas, that criss-cross the mountains. For the business market, a 1,500-capacity conference centre is due to open in two years' time outside Funchal.

So far there has been little foreign investment, but some of the big international hotel chains are beginning to show an interest.

All this bodes well for the industry, though not in every case for the environment. Some islanders and long-standing visitors fear that Madeira's beauty will be ruined by tourism.

Others are more optimistic, believing that the island's cliff-lined coasts and rugged, inhospitable interior will prove their own best defence against the excesses of man.

Alison Maitland

Profile: DIONISIO PESTANA

Hotelier caters for tourists

Picture: Alison Maitland

Dionisio Pestana: spotted the islands' tourism potential

DIONISIO PESTANA, like his father Manuel, has an instinct for a good business venture, especially if it involves breaking new ground.

Imagination and hard-nosed management have helped make him one of Madeira's leading entrepreneurs. His Group Pestana, with net assets of about £95m in tourism, property, air travel and offshore activities, is the island's biggest. By his account, it has also become Portugal's largest hotel group in terms of assets.

Mr Pestana, 40, was brought up in South Africa and only discovered his ancestral homeland in his 20s. His father emigrated to Mozambique nearly 50 years ago in search of a better life. He built up property interests in southern Africa, and then, in 1966, *spotted* Madeira's *tourism* potential, buying a hotel in Funchal which was rebuilt as the group's flagship, the Carlton. His son, armed with a business degree from Natal University, visited *Madeira on* a working holiday in 1976. He never looked back.

It was just two years after the Portuguese revolution, and this gave the young outsider an edge. "The potential was so great," he says. "We were really enthusiastic about doing things and buying, and the Portuguese were very conservative and afraid. They had lost confidence completely."

In those days, bricks had to be brought from the mainland, and the island had little infrastructure. "It took four years to build," he says. "The progress since then has been like day and night. Today we can build faster than on the mainland. We're building a 200-room hotel in one year."

As well as the Carlton, the group owns the five-star Casino Park Hotel and the concession for the adjacent casino, designed by the Brazilian *architect* Oscar Niemayer. It has built timeshare and freehold apartments and in 1988 acquired 20 per cent of the Portuguese charter airline, Air Atlantis.

That year the group also *took* the unusual step for a Madeiran business of investing on the mainland, buying 25 per cent of the Salvor Group, which has five hotels in the Algarve.

Current projects include an 800-bed hotel in an 18th century palace in Lisbon, to be opened in 1994, a smaller resort *hotel* on the Estoril peninsula close to the capital, and three hotels in Madeira. "If all goes well, we'll open an hotel every year for the next five years," says Mr Pestana. "That would double our capacity."

The idea behind the mainland investments is to market a "Pestana package" to tour operators, giving credits for all the group's hotels so that holidaymakers can spend time in Lisbon and the Algarve, as well as in Madeira.

Mr Pestana's success, and the ease with which he has been able to develop, especially in the much sought-after waterfront zones of Madeira, has not made him universally popular.

But he appears confident of his ground, attributing the sector's dynamism to Mr Alberto João Jardim, the regional president. "If it's an investment *that will get people employed*, he will endorse that project, and he doesn't want to see any stumbling blocks."

With tourism now the island's mainstay, the industry is debating where best to focus next. Mr Pestana voices the dilemma: "Madeira used to be a winter resort. But summer is the best time, with late sunsets and the youth back here from university. We need to capitalise on that."

That means more night entertainment in the capital. But Funchal is overcrowded, and new hotels should be developed elsewhere on the island. There's the rub. "The more we decentralise," he says, "the less chance we have of creating the entertainment."

To diversify, the group bought 70 per cent of the Madeira Development Company when it was established in 1988 to manage the island's offshore business centre and free trade zone.

That investment gave rise to another Pestana novelty – windmills. Taking advantage of the tax-free environment, and the 50 per cent European Community funding for energy-saving projects, the group plans to build 18 wind machines with a total capacity of 3MW.

The electricity company will buy the energy for the island grid, the group's £1m annual electricity bill should be *halved*, and Mr Pestana *concludes* proudly, "the project should pay off in three to five years."

Alison Maitland

If you require further copies of this survey please contact either
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Vintners hit by the fashion for lighter drinking wines

Old favourite revived

SHAKESPEARE'S hapless Duke of Clarence was drowned in a whole butt of it after being stabbed. George Washington drank a pint a day. It was used to toast the American Declaration of Independence, and the Russian tsars had a fine collection that was recently unearthed when their Communist successors fell from power.

Madeira's potent sweet wine has been known to the world for over four centuries, and its extraordinary powers of longevity have been an enduring source of marvel. Winston Churchill, another devotee, once exclaimed in amazement when he realised the wine he was drinking had been made during Marie Antoinette's lifetime.

These days Madeira has been left on the sideboard by the fashion for lighter drinking wines, and the old-established shippers on the island are fighting to keep their markets and upgrade a product which has lost its cachet.

"There's a great antipathy to fortified wines in the world," says Mr Michael Blandy, chief executive of the Madeira operations of the Blandy group, founded on the island in 1811. "It goes along with the antipathy towards spirits and obviously it's an area of considerable concern for us."

Too small to compete in the international wine market alone, Blandy's sold a 51 per cent stake in its Madeira Wine Company to Symington's, the leading port wine shippers, in 1989, to take advantage of the latter's strength in distribution and marketing. Blandy's still holds 40 per cent of the company, which sells the leading brands established by British houses – such as Blandy, Cossart Gordon and Leacock – and accounts for 33 per cent of total sales of Madeira.

One of the company's aims is to reduce the proportion of wine sold in bulk. This year bulk sales are expected to amount to 750,000 litres out of a total of 1.4m litres. Most of this goes to France, and a few other European countries, for cooking.

"What we want to do is promote the drinking wine. Selling bulk to the cooking market does quite the opposite," explains Mr Blandy. Following promotion of bottled wine in France, the company expects to sell 65,000 litres there this year.

The once jazzy bottle labels have been redesigned, using refined lettering and sober colours. Production techniques are also being improved, with better filtration of the wine and more sophisticated controls during the unique *estufagem*, or heating process.

This procedure, which gives the wine its slightly burnt flavour, was developed by accident. The first Madeira grape, the sweet Malmsey, was introduced from Crete in the 15th century by Prince Henry the Navigator.

Around the start of the 18th century, the story goes, a shipload of casks was sent to a British regiment in India, but undelivered. Upon return to Madeira, after the long journey across the Equator and back, it was found that the taste of the wine had actually benefited from the heat and the rolling of the ship. The baking process was simulated on land, first using sunlight and later hot water pipes to keep the wine lodges warm. Fortification began a few years later, when rumours of war kept ships away, and merchants on the island added brandy to preserve their stocks.

At the height of its popularity in the early 19th century, at least 17,000 pipes (of 500 litres each) of Madeira were shipped each year, according to an account by Noel Cossart in André Simon's Wines of the World. But the vines were struck down, first by mildew in 1851, and then by *phylloxera*, which hit Europe in 1860. At the turn of this century, an average 5,000 pipes were being shipped a year. Today, sales total a little under 8,000 pipes, or 4m litres, a year.

While production has been static for a decade, the European Community has played an important role in upgrading quality, funding a programme under the supervision of Madeira's wine institute to root out the poorest vines and replant with superior ones in the limited 2,000 hectares available for viticulture.

Under EC rules, too, Madeira may only carry the name of one of "the noble varieties" – Malmsey, Bual, Verdelho and the driest, Sercial – if it contains at least 85 per cent of that grape in the blend.

The main overseas markets for bottled Madeira are the UK, Scandinavia, Japan, and north America. The wine institute attends all the European wine fairs, and next year will visit the US and Japan.

In its promotional forays to win the world back to fortified wine, the institute has had to contend with a niggling problem over names in the US and in Russia. It won its case in Russia but was unsuccessful in the US where a wine is produced in California's Madera Valley.

Alison Maitland

Picture: Alison Maitland

The elegant approach to the Madeira Wine Company lodges

The future of the free trade zone looks more positive

Reaching out to the world

WHEN the first phase of development of Madeira's free trade zone and manufacturing park is completed this summer, an important milestone will have been reached in the island's efforts to establish itself as an international business centre.

After three hesitant years during which growth was hampered by bureaucracy and outdated legislation which required almost as much effort to overcome as developing the necessary infrastructure, the future looks more positive. "It's a turning point for us," says Mr Francisco Costa, chairman of the Madeira Development Company (SDM) which is responsible for developing and promoting the trade zone and the offshore financial centre.

Since the offshore centre was established, 21 banks and more than 500 trading and services companies have set up offices in and around Funchal, the regional capital, but the most visible signs of offshore activity can be seen at the free trade zone near Canical, a small town on the south-western coast about 5km from the island's international airport and 30km from Funchal.

Some 38 hectares of rocky hills have been levelled for factories, industrial plots and access roads. A new deep-sea port is starting to take shape, and is set for completion by September. The port is seen as crucial for the future as it will permit direct shipping in and out of the zone, cutting costs and time involved in transporting goods by road. It will be under private management – an international tender for the management contract will be issued this summer.

With only 10 companies registered for manufacturing so far, growth has been modest, but Mr Costa is convinced conditions are ripe for much faster development. Several companies have recently put in applications to operate in the zone, and he expects many more.

Those already established have come from Portugal, South Africa, Brazil and Hong Kong, attracted by fiscal incentives – no taxes until 2011 – the prospect of European Community subsidies for training, low labour costs, access to EC markets, and political stability. They produce clothes, plastics, cigarettes, jewellery, optical and electrical equipment and food products.

Mr Stanley Lam, of Shenotto Industries of Hong Kong, manager of a clothing factory, says low labour costs, good incentives and Madeira's location between Europe and the US were deciding factors. The factory has 114 employees, including five from Hong Kong, and it exports to the US, Canada and Japan. Access to the European market is limited by textile quotas and the need to buy materials from the EC.

The company would like to expand its production capacity, now at around 60,000 items annually, but this will depend on winning EC approval for an exemption to the quota system as the additional production would be aimed primarily at Europe. All production workers are young women from the nearby towns of Canical and Machico, Madeira's second largest city. "There are no problems finding workers here," Mr Lam says. The company received Esc54m from EC funds for the training.

A few buildings away, the Empresa Madeirense de Tabacos, the local tobacco company which has moved production from Funchal to the zone, produces 36m Portuguese brand cigarettes monthly. Mr Egidio Andrade, production manager, says the move has helped to raise profits, and has led to a marked improvement in production and work conditions. The factory is spacious if noisy – a new ceiling is to be fitted to dampen the noise – and new equipment has been installed. Mr Andrade says working conditions for the 75 employees – up from 65 in Funchal – are much better than before the move. Employees work a four-day week.

Access to the zone has been improved, and the tunnel on the only road to Canical and Funchal is being widened. By 1996, the airport runway will be extended to 2,800 metres to enable bigger aircraft to land, and to allow air cargo services.

A new international shipping register was established to add to the range of facilities, but its development has been slow because of inadequate legislation. Social security provisions for crews have had to be changed, and other legal problems are expected to be resolved by the summer when a new law comes into force.

Registered ships sail under the Portuguese flag, and according to Portugal's law, at least half of the crew has to be Portuguese, making the register unattractive for most shipowners. The new law will abolish that requirement except for ships calling regularly at Portuguese ports which will have to have 30 per cent of their crew of EC nationality. Until then, the authorities are waiving the requirement on a case-by-case basis. The law will also allow lenders and borrowers to choose the country of jurisdiction applicable for a mortgage.

The offshore banking and service sectors have grown fastest, and the centre has attracted financial institutions and companies from Europe, Latin America and the Far East, as well as from other offshore centres. Mr Costa says he is satisfied with the rate of growth in Madeira's offshore business. "The forecast that offshore centres were set to decline has not materialised. Business has continued to grow."

Patrick Blum

OFFSHORE FINANCIAL SERVICES

Smiles on the bankers' faces

OF ALL offshore activity, banking and services have developed fastest. Though the number of banks is still relatively small – there are 20 banks and one insurance company – they have attracted a considerable volume of business. And if the smiles on most bankers' faces is anything to go by, it has been exceptionally good business.

No-one will say how much is deposited or what is the amount of funds the banks are managing for individuals and private companies, but most bankers agree that the volume of business has been well above their expectations.

Success has brought its own problems. The financial authorities in Lisbon have been concerned that Portuguese resident companies have used the offshore centre to reduce their tax liabilities. The government is planning legislation to close loopholes for resident companies, but this will not affect non-residents. Nevertheless, the issue has delayed other legislation as well as exacerbating tensions between the Madeiran authorities and the capital on the mainland.

What local banks fear is that the dispute over taxation could undermine efforts to establish the centre internationally, and bankers stress this is a domestic matter that involves only Portuguese residents. "All these mutterings about changing the rules are not helpful," says one banker.

For the time being international interest is growing. "We've had lots of inquiries from Latin America, especially Brazil and from eastern Europe," says Mr Lino Bento, operations executive at the offshore branch of Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's third largest bank. "For many investors the offshore centre is a door opening on to business opportunities in Europe," he says.

Portugal's decision to bring the escudo into the exchange rate mechanism of the European Monetary System (EMS), has also encouraged investors because it enhances exchange rate stability.

A high proportion of investments also comes from other offshore centres such as Guernsey and the Isle of Man. "Investors don't want to put all their eggs into one basket, and Portugal's EC membership is an advantage over other locations. Investors tend to start with small investments at first, increasing them as they become more familiar and confident with Madeira," he says.

Other bankers confirm these trends. "Interest in Madeira is growing, and it is beginning to feature in the international scene," says Mr Anthony Addis, head of international private banking at Banco Comercial Portugues (BCP).

BCP was the first bank to set up an offshore branch in Madeira more than three years ago, and it claims to have the largest share of the offshore business. Its business is divided between private and corporate banking, with most deposits from private clients and lending mainly to the corporate sector. Many clients are drawn from Portuguese emigrant communities in Brazil, South Africa and Venezuela.

As with all offshore centres there is always the risk some of the funds may come from illegitimate sources, and Madeira's banks are keen to keep the centre clean. "It's something we discussed [among the banks], because if there is a suspicion of any money-laundering in one bank, all the banks and the system will suffer, so we check carefully all new clients," says Mr Bento.

Patrick Blum

The handicraft industry is in severe difficulties, says **Alison Maitland**

Embroiderers get the needle

GRETA PHELPS FIGUEIRA, great-great-niece of the Englishwoman who introduced traditional Madeiran embroidery to the world, is despondent.

"The industry is finishing," she says. "It can't have any future because nobody wants to learn embroidery. The young ones don't want to do it. They used to be kept at home, now they can get jobs in hotels."

Her ancestor, Miss Elizabeth Phelps, the daughter of a wine trader, took samples of the embroidery to London in the 1850s. "I think it was Queen Victoria who gave her a boatload of linen to bring back to have embroidered," says Mrs Phelps Figueira. The word spread, and the cottage industry grew to become one of Madeira's main sources of revenue.

Today, people no longer have time to handwash and iron beautiful embroideries, and "90 per cent of the tourists aren't genuinely interested in buying embroidery," she says. Now 71, she came to the island to marry more than 30 years ago, and she and her husband, Aurelio, still run an embroidery shop, Figueira and Phelps, in Funchal.

Her gloom may not be fully shared by others in the industry, but there is widespread acceptance that Madeira's handicraft industry, which includes tapestry and wickerwork, is in severe difficulties because of its low productivity.

About 30,000 people, or 23 per cent of the workforce, are occupied, mostly part-time, in handicrafts, and they contribute just 5 per cent of GDP. Some 20,000 women do embroidery, often in addition to farmwork. They are paid by the number of embroidery points they sew, and their annual earnings average between Esc80,000 and Esc120,000, according to the Institute of Embroidery, Tapestry and Handicrafts. A further 1,500 people are employed in factories, designing, cutting, washing, ironing and packing the embroidery for sale.

Picture: Alison Maitland

About 20,000 women do embroidery

Mr Fernando Sousa Viola runs such a factory near the port in Funchal. He employs 45 people to process embroidery which he buys from 4,000-5,000 women across the island.

In the factory office, hand-written ledgers, creaking wooden floors and frosted glass panelling are reminders of a bygone age, but Mr Sousa Viola has a modern business sense. He saw the writing on the wall 15 years ago and concentrated on high-quality exports for the wealthy, who employ others to look after their fine linen.

He specialises in elaborate tablecloths that can take three or four years to make and cost as much as £2,000 each, and bed linen embroidered with the customer's initials or family crest. His main clients are in the UK and Germany, though he is hoping for an opening in the US.

The outlook for the industry is not brilliant, he says. "Madeira embroidery will never end, but it will be only for rich people, and the quantity produced will be much less." Government and industry officials suggest that the number employed in embroidery needs to fall by half or even three-quarters.

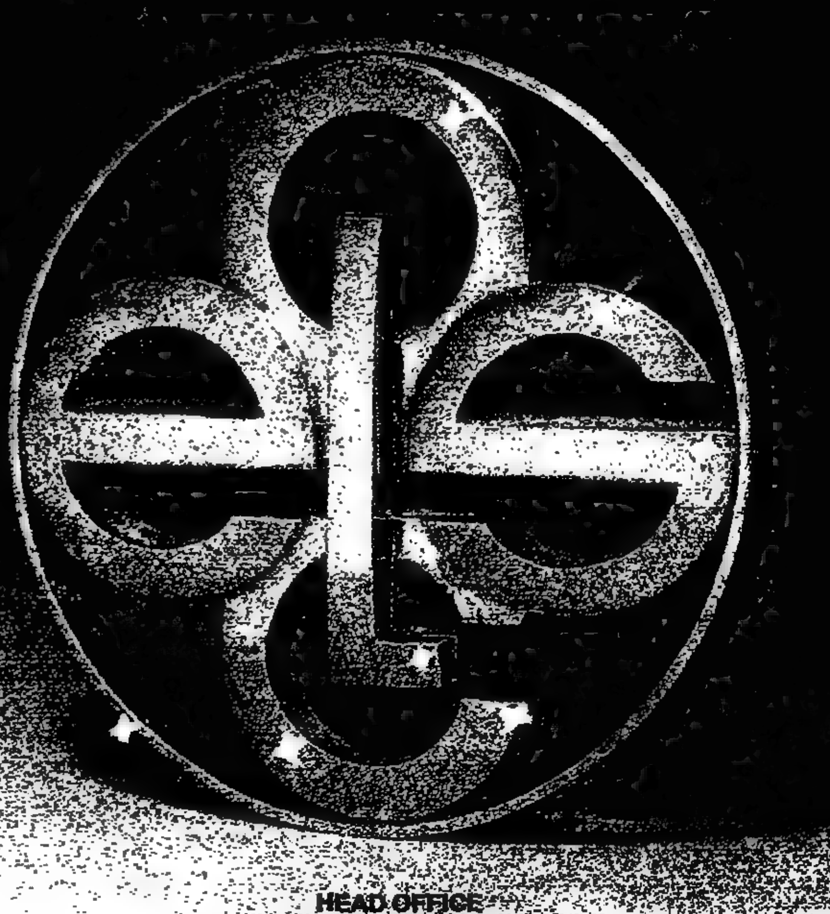
That is already happening. Many young women prefer the better pay and environment of hotel work. "Embroidery affects the eyes. You sit there and have no contact with people," says Mr Sousa Viola. Even established embroiderers now refuse to work on the most intricate designs.

Traditional export markets are finding cheaper sources. Italy, for example, used to take 75 per cent of the island's embroidery exports, but Chinese competition, which Madeirans say is of lower quality, has reduced that to 70 per cent. Baskets and furniture, which are made from willow without nails or glue, are also being undercut in their main market, the UK, by cheaper Chinese and Polish wickerwork.

Exports of handicrafts still bring in about Esc2.7bn a year, twice the level of purchases by tourists. While counting on growth in tourism, the regional government is also studying ways of improving the export drive, says Mr Fernando Severino Fernandes, president of the handicrafts institute.

The institute, set up in 1978, runs small training programmes for young women in rural areas with a 75 per cent contribution to the cost from the EC Social Fund.

Conditions for the embroiderers have improved. Apart from annual pay increases, they are entitled to health care and a minimum pension at 62 in exchange for 2 per cent of their income. Productivity is encouraged with annual bonuses.



FT LAW REPORTS

SFO can compel answers

REGINA v DIRECTOR OF THE SERIOUS FRAUD OFFICE, EX PARTE SMITH
House of Lords (Lord Templeman, Lord Bridge of Harwich, Lord Ackner, Lord Lowry, and Lord Mustill):
June 11 1992

THE SFO can compel a person who has been charged with fraud to answer questions and provide information for the purpose of a fraud investigation, and is not required to caution him.

The House of Lords so held when allowing an appeal by the Director of the Serious Fraud Office from a decision of the Divisional court of the Queen's Bench Division that the respondent, Mr A.P. Smith was not obliged to answer questions in a fraud investigation and must be cautioned first.

LORD MUSTILL said Mr Smith was the chairman and managing director of Wallace Smith Trust Co Ltd.

On April 30 1991, he was charged with being party to carrying on the company's business with intent to defraud creditors. On May 7, he was admitted to bail.

In June, he was served with formal notice by the SFO that he was required to answer questions or furnish information in matters relevant to a fraud investigation.

The notice stated: "Failure without reasonable excuse to comply with these requirements is a criminal offence."

The interview was to take place on June 26.

Mr Smith sought *certiorari* to quash the decision to seek to enforce compliance.

Pursuant to section 67 of the Police and Criminal Evidence Act 1984, the Secretary of State had issued a Code of Practice for the Detention, Treatment and Questioning of Persons by Police Officers.

By paragraph 10 of the Code, a person suspected of an offence must be cautioned before questions were put to him: *"You do not have to say anything unless you wish to do so, but what you say may be given in evidence."*

By paragraph 16.5, questions might not be put to a person after he had been charged unless necessary to minimise harm to others or clear up ambiguity, or in the interests of justice. Before they were put he must be cautioned.

By section 2(2) of the Criminal Justice Act 1987, the SFO had power to "require" a person whose affairs were to be investigated to answer questions or furnish information.

By section 2(8), his statement might only be used in evidence against him on a prosecution (a) for making a false or misleading statement, or (b) for some other offence in which he gave evidence inconsistent with the statement.

The expression "right to silence" did not denote a single right, but referred to a disparate group of immunities which differed in nature, origin, incidence and importance, and as to the extent to which they had been encroached by statute. Distinct motives had caused those immunities to become embedded in the law.

The first motive reflected the common view that one person should so far as possible be entitled to tell another to mind his own business. Secondly, there was a long history of reaction against abuse of judicial interrogation.

Next, there was the instinct that it was contrary to fair play to put the accused in a position in which he was exposed to punishment whatever he did – if he answered he might condemn himself, and if he refused he might be punished.

Finally there was the desire to minimise the risk that an accused would be convicted on the strength of an untrue extra-judicial confession, to which the law gave effect by refusing to admit confessions in evidence except on proof that they were "voluntary".

The Divisional Court declared that before asking questions relating to an offence with which a person under investigation was charged, the SFO must inform him that he was not obliged to answer, but that if he did, what was said might only be used in evidence against him where he was charged with making a false or misleading statement, or where the answer was inconsistent with any evidence he might give at a later trial.

On the present appeal, counsel for Mr Smith had not pressed either of the grounds on which the Divisional Court decided in his favour – namely that the SFO was entitled to ask questions after charge but only after administering a fresh caution (see *ex parte Saunders (1988) 138 NLJ 143*); and that the caution would be a reasonable excuse for refusal to answer within section 2(13) of the 1987 Act.

Counsel was right to take that course.

Either the Director was empowered to pose questions and compel an answer, or she was not. If she was, a caution which presupposed an answer could not be compelled would be a self-contradictory formality which Parliament could not have intended. If she had no powers of compulsion after charge, the issuing of another caution made no difference.

For Mr Smith it was submitted first, that on the true interpretation of the statute, the investigation and hence the *Director's compulsory powers*, came to an end when Mr Smith was charged (see *A v HM Treasury [1979] 1 WLR 1056*).

The Director's powers under section 2(2) and (3) were to require the person to answer questions and furnish information or to produce documents, with respect to "any matter relevant to the investigation".

Nobody could expect the police simply to cease work on the case and rely at trial only on the material revealed up to the moment of charging.

The Director's powers of investigation were concerned with "the affairs" of the suspect, and those must extend beyond the matters which caused the charge to be laid.

The second submission was that whatever the words of the Act might mean, they must be understood as qualified by a tacit exception, preserving the ancient right of silence.

There was a strong presumption against interpreting a statute as taking away the right of silence, but statutory interference with the right was almost as old as the right itself.

If Mr Smith was to succeed he must show a qualification to be implied into section 2(2), that nothing in the Act should require the person under investigation to furnish information with respect to any suspected offence for which he had been charged, except to the extent permitted by the Code.

That large implication was said to be justified because Parliament must have intended to preserve the long-standing immunity against questioning after charge.

The argument was unconvincing.

First, the notion that the moment of charging marked a watershed in the relationship between suspect and police was not strictly accurate since the duty to abstain from questioning ceased as soon as the officer considered there was sufficient evidence for a prosecution to succeed, and there might then be an interval before the decision to charge.

Secondly, this particular immunity was much less ancient than other rights of silence. It appeared to reflect a practice developed in the latter part of the 19th century, to abstain from questioning not after charge, but after the suspect had been taken into custody.

Paragraph 16.5 of the Code was not directly linked to the ancient and deep-rooted privilege against self-incrimination.

That privilege aimed to protect all citizens against being compelled to condemn themselves. It was in essence a development of the law relating to the admissibility of confessions.

Once that was recognised the reasoning in Mr Smith's argument fell away. There was no reason to force on to section 2 an unspoken qualification with which it had nothing to do.

As a matter of interpretation the Director's powers did not cease with regard to the questioning of a person under investigation when he was charged. The general provisions of the Code yielded to the particular provision of the 1987 Act in cases to which the Act applied. Neither history nor logic demanded that any qualification of what Parliament had clearly enacted ought to be implied.

The appeal was allowed.

Their Lordships agreed.

For Mr Smith: Andrew Collins QC and David Hood (Garstangs).

For the SFO: Sidney Kentridge QC and Nigel Pleming QC (Treasury Solicitor).

Rachel Davies
Barrister

PEOPLE

Sperryn adds his voice to London chamber

It took Simon Sperryn, chief executive of the Manchester Chamber of Commerce, two weeks to complete the negotiations which led to yesterday's announcement that he is to become chief executive of the London Chamber of Commerce and Industry.

Sperryn who, apart from one short break in industry, has spent his entire working life working for a chamber, was approached at short notice to replace Malcolm Stephens, who is leaving the London chamber in September after 10 months. (*See Observer, Page 21.*)

Although the London chamber is larger than its Manchester counterpart - 3,500 members against 2,800 and 115 staff compared with 75 – many of the problems are the same.

Greater Manchester, like London, has no strategic planning body, so the Manchester chamber has had to deal with 10 local authorities just as London has to deal with 33 local boroughs. The chamber and Training and Enterprise Council movements are also fragmented in both metropolitan areas; Greater Manchester is served by no fewer than seven Tecs and seven chambers.

Attempts to rationalise this splintered business support network have had some success in Manchester. The 10 chambers of commerce in the north west of England and Wales are forming a federation with the ultimate prospect of a merger. This may prove more difficult in London where there are strong traditional rivalries between the local chambers.

Asked about the most significant achievements of the Manchester chamber during his six-year tenure, Sperryn highlights the forging of links between schools and industry in a local "compact" and the creation of the Greater Manchester visitor and convention bureau to promote the area.

A amateur singer, Sperryn, 46, has also been chairman of the Manchester Camerata, a freelance chamber orchestra. He also lists drawing, riding and reading among his leisure interests.

Non-executive directors

■ Peter Hearne has been appointed part-time chairman of GEC AVIONICS, part of the GEC-Marconi defence company.

He joined Elliott Brothers (London), GEC Avionics' predecessor, in 1959. He has held several senior posts in the company, most recently as president of GEC-Marconi's US operations, retiring from full-time service in April.

■ Richard Fortin at LORD RAYLEIGH'S DAIRIES.

■ Hugh Stewart, a former chief executive of Westland, at WELLMAN.

■ Terry James, retired chairman of Schering Holdings, at MTM.

■ Lord Lane of Horsell at RELIANCE SECURITY GROUP.

■ Paul Lever, chairman of Lionheart, at BSM GROUP.

■ *Albert Hargreaves* at APOLLO METALS.

■ Michael Orr at MARSTON, THOMPSON & EVERSHED.

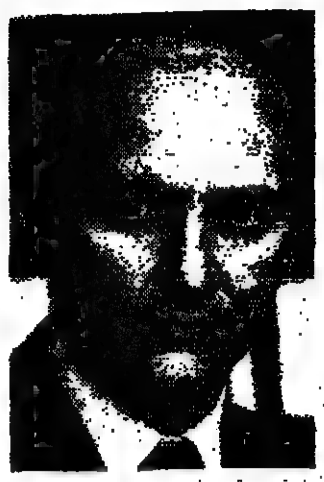
■ Sir Gordon Higginson, vice-chancellor of Southampton University, at BRITISH MARITIME TECHNOLOGY.

■ Michael Borlenghi as chairman at BRITISH FITTINGS GROUP.

■ Dennis Hughes at the CO-OPERATIVE BANK.

David Tiplady (right), one of the leading solicitors acting for Lloyd's Names, has been made a partner at DJ Freeman, the City law firm. Tiplady, 45, originally qualified as a barrister in 1974 and spent several years in academe, teaching commercial law at the universities of Pennsylvania, California, Oxford and Nottingham, before joining DJ Freeman in 1989.

He requalified as a solicitor in the same year and now represents over 3,000 Lloyd's Names, from the Pulbrook, Poland and Gooda Walker action groups.



■ Harry Brown has been appointed md of CREDIT AND GUARANTEE INSURANCE.

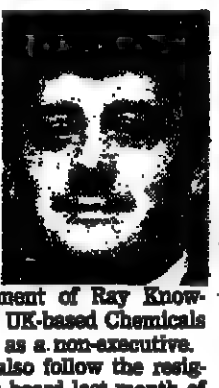
■ Robert Van Gieson, an md of Chubb & Son Inc, has been appointed chairman of CHUBB INSURANCE COMPANY OF EUROPE.

■ Tom Carpenter is promoted from deputy chairman to become chairman of E W PAYNE, part of Sedgwick. Jonathan Gilbert is to become chairman of SEDGWICK ENERGY, and Derek Ford, its deputy chairman, is also md.

Merry-go-round at Laporte and ICI

The appointment merry-go-round at Laporte, the UK's second largest chemical group, continues, following the departure of two directors from Solvay, the Belgian chemicals group. The two companies recently dissolved their Interox joint venture.

Laporte's board meets today to confirm the appointment of Errol Menke (left) to the main board. The 38-year-old American will leave the US where he was chief executive of the hygiene and process chemicals division and take charge of the construction chemicals division. Menke, who joined the company in 1982, will be based in Luton and report to David Wilbraham, the chief operating officer.



At the same time, the board will also confirm the appointment of Ray Knowland, president of the UK-based Chemicals Industry Association, as a non-executive.

The appointments also follow the resignation from Laporte's board last month of Hans Seidl, who is to become chairman of Laporte GmbH in Germany, and chief executive of the organic chemicals division. Christopher Beasley was appointed last month as company secretary to replace Andrew Berkeley who is taking up private practice.

■ Meanwhile at ICI, Paul Drechsler (right) has been appointed to the new post of regional vice-president of Imperial Chemical Industries' international operations in Latin America South. He also becomes president of ICI Brasil. Drechsler was previously a senior business manager at ICI's films business.

Adrian Bromley, Drechsler's predecessor, returns to the UK as business general manager of the chemical products operations.

Television/Christopher Dunkley

Socialism, and other old jokes

BBC2's new Thursday night series *Pandora's Box* has, according to its billing, a fascinating purpose: "To explore the cultural impact of 20th century science" using "archive clips from feature films, cartoons, and home movies". Furthermore, the opening programme was fascinating in some ways, yet also deeply irritating because although it kept claiming to be about science and the failure of science, it was actually about socialism (or sometimes sociology and the failure of sociology).

The trap which the programme dug for itself was clear from the start when we were told "To those who began the revolution in Russia 75 years ago, science was a grand liberating force. They believed Karl Marx had discovered the scientific laws of society which they would now use to unlock the gates to a new world where everyone would be equal and free".

In that one paragraph science and politics have already been clumsily conflated, and semantically matters went downhill from there. The cynical might say that this seemed like the last gasp of the fellow traveller, desperately seeking to blame the dramatic failure of communism on poor old science: because Soviet engineers and technocrats were involved in the The Plan, and The Plan failed, science was blamed for the failure when it was actually state centralisation which was to blame.

Even if you reject the cynical reaction you are left with the depressing willingness of this programme to make common cause with the current frightening movement towards anti-rationalism. It is one thing for Californian hippies and teenage greenies to raise a cacophony of eco-babble and "new age" superstition, seeking to substitute astrology and aromatherapy for science (which, after all, simply means a rational approach to the unknown) but we expect something more level headed from BBC2 documentaries.

* * *

Among the "3,000 selections, old and new" in *Everybody's Book Of Jokes* on the shelf in my bathroom is this one: "I've read so much about the evils of drinking that I've decided to give up reading". That joke was told in the first edition of a new series of *The Comedians* on ITV on Tuesday last week. The cover of my edition of *Everybody's Book Of Jokes* says "Retorts, Bulls, Jests, Rhymes, Conundrums, Anecdotes, & Puns, London, Saxon & Co, Cloth 6d, Leather 1s, 120th Thousand". It was printed in 1890.

* * *

Those straws in the wind, identified here last week as the harbingers of the new, rougher age of market-driven competition in British television, keep on coming. This week we hear that Channel 4, the network for minorities, is to re-launch its breakfast show. And how will it fulfil that famous statutory requirement to "be different"? Will it differ from TV-am and BBC1 by concentrating on non-metropolitan material? No. Given television's current obsession with "yoof", will it offer a service for the big and largely ignored growth area, the middle aged and elderly who have most of the disposable income that advertisers love? No.

What then? The producer will be Charlie Parsons, late of that archetypal yoof series *The Word*, and the star presenters will be teen idol Bob Geldof and trendy yoof presenter Paula Yates, one-time *Penthouse* model and, of course, Geldof's wife.

* * *

Before that arrives some time in September, we shall be seeing the BBC's new soap opera, *Eldorado*. Though originally intended for the autumn season, this has been pulled forward to the first week in July in the hope, it is said, of avoiding it being swamped by all the other new autumn material. Not so long ago the BBC considered itself superior to the sort of broadcaster that used soap to pull down the big ratings. Then, in 1985, came the twice weekly *EastEnders*, to be joined in 1988 by *Neighbours*, imported from Australia and shown twice every weekday. Now here comes *Eldorado*, with its famous £10m price tag, shot in a purpose-built hamlet in Spain and due for transmission on Mondays, Wednesdays and Fridays. This will take BBC1's soap output to 17 units a week and, if *Eldorado* is repeated, as seems likely, 20. Haystacks indeed.

* * *

Not all the conclusions in last week's column were borne out this week, however. C4's new topical comment series *A Stab In The Dark* (don't say satire or mention *TW3*) was considerably better second time round. David Baddiel even had a go at the tedium of feminist comedy, with its endless repetition of "I just find male genitalia funny". After all the years of "little willie" gags from this lot perhaps Baddiel could start a few about the vast capaciousness of feminist comics.

* * *

Time was when television drama meant either the single play or a good meaty serial running for 13 weeks or so. Now every broadcaster is said to want mini-series, so almost everything you see lasts for three or four hours. BBC1's *Natural Lies*, which ran across the last three Sunday evenings, lasted only 2 hours 45 minutes, but no doubt foreign broadcasters will strip it across the week in six half-hour slots, or over the weekend in two 90-minute slots.

It was one of those "Everyone's in league against me" stories with Bob Peck playing the man who, even with police, government departments, and old friends all conspiring, is determined to get to the bottom of things.

"Things" on this occasion were . . . well, very meaty actually: BSE got into the human food chain, and a man died. Before transmission there were protests from those with vested interests, but given the slight uncertainty about BSE developments in the long term it seemed a reasonable enough scare story; sometimes it is right to be scared. Not that it will stop me eating steak, though I might be put off if I had to see that glassy-eyed stare of agony from Peck again this year.

* * *

ITV's four-hour drama *The Guilty* was shown on successive nights, wrapped around *News At 10*. I find this system with its half-hour compulsory news break annoying even though I would usually watch the news. I prefer my drama uninterrupted. On such occasions the question is whether it is really worth setting up the VCR to record all four bits, given that, however careful you may be, some clown of a scheduler will ensure that one part, containing a crucial clue, will start early or end late and miss your tape.

This time the story was of a boozy barrister (Michael Kitchen, world weary and excellent as ever) who rapes a new young secretary just before being created the youngest judge in the country; like so much recent television drama it left a sour taste in the mouth. However, Colin Gregg's direction showed the sort of flair for urban nightscapes that we have come to associate with modern French cinema thrillers.

* * *

What a wonderfully enjoyable *South Bank Show* this week on the making of the Beatles' "Sgt Pepper" album. For some reason nothing in the world feels *quite so nostalgically ancient* as the music of your own youth, but the chief attraction of this programme was the extraordinarily detailed guided tour through the original master tapes by producer George Martin. This was an outstanding example of just how successful television can be at illustrating and analysing popular contemporary culture.

Christopher Dunkley

Bob Peck: up to his neck in meaty issues in *Natural Lies*

Opera/Max Loppert

Queen of Spades

At Glyndebourne, this opera comes across with overwhelming force. It was given at the festival in the 1971 season, with fair success; now, the sum of Graham Vick's new production, Andrew Davis's conducting of the (magnificent) London Philharmonic, and the singing and acting of a carefully chosen cast is, I think, a milestone in festival history. An opera written for a large Russian theatre and re-deploying the structural machinery of 18th- and 19th-century operatic spectacle discloses here all its heart-rending secrets – the loss of space, acoustic and physical, matters relatively little, while the close focus on details of Tchaikovsky's musical dramatisation brings thrills and revelations in uncountable number.

The "psychological" messages sent to the audience from the lower depths of the orchestra (in particular the bassoon and low clarinet parts, *superbly well delivered by LPO* principals) needle their way into our perception of the characters with a quiet insidiousness that proves irresistible. (Will these close-up effects be possible in the new, enlarged Glyndebourne theatre shortly to be built? Fervent prayers are required, *starting now.*)

Everything about the music communicates, makes sense, adds up: the frisson of repeated accompaniment figures, the wallop and flash of emotional thunder and lightning, the fraught sweep of the whole canvas. An opera formerly held to be loosely constructed, with numbers and whole sequences ripe for easy removal, is given absolutely complete, and drives its points home with riveting insistence.

The special greatness of *Queen of Spades* lies in large part in the balance Tchaikovsky sustains between outward opulence and inward turbulence, luxuriance and high-Romantic passion. At Monday's *opening performance* Mr Davis's expert conducting, so sensitive to his singers, seemed to lean a touch in the direction of the former – there was much lovingly moulded lyrical phrasing, also a slight shortage of the demonic in the accompanying undercurrents. *He will* surely grow into the opera; the production, which at Monday's opening revealed untidinesses of ensemble in the opening scene, is likewise bound to move ever more authoritatively as it wears in.

Already it seems to me a quite marvellous and *brilliant* piece of modern music-theatre. By Mr Vick, the designer Richard Hudson and the lighting designer Thomas Webster it has been planned with fastidious intelligence to look – as the opera itself does – both forward and backward: to deal in unsensational yet toughly argued theatrical terms with the "psychodrama" at the heart of the opera while not *neglecting the picturesque* elements, the influences of Tchaikovsky's beloved Mozart and *Carmen*, the delicate touches of rococo filigree.

Psychodramatic accounts of this opera may have been the fashion in recent years, but *they* take an audience only part of the way toward the opera's core. Mr Vick proves his fuller understanding of it by staging the pastoral divertissement, with the help of Ron Howell's delicious mock-authentic dances, with a touch of gentle comedy that never turns *into* send-up. The whole of the ball scene, indeed, is admirably precise in its purpose: a great golden staircase falls from the flies to suggest the St Petersburg glitter that so drives and torments the outsider Hermann, and around it ironic reflections of the opera's main plot-points are deftly thrown.

The look of the production pinpoints a poetically knife-edged duality. Costume is *period*, the set *semi-abstract* modern. White walls, kinked in perspective and daubed with furious Gerald Scarfe-like black ink-scratches, funnel the eye toward a "black hole" at the back – an image of Hermann's madness that grows ever more potent as the show unfolds. The gambling finale, with hellish skeleton figures pressing through cavities, forms a daringly conceived yet (in the terms of this production) perfectly logical conclusion, a final fusion of spectacle and phantasmagoria; and before that point, scene after scene has been directed with acute insight into the mainspring of each character.

Every small part is made telling – of all the many vivid players who deserve a brief mention, Graeme Matheson-Bruce (Chekalinsky), Enid Hartle (Governess) and Anne Dawson (Chloe) demand to be singled out. Louise Winter sings Pauline's elegy with lovely warmth and purity; the two baritones – Sergey Leiferkus as the most elegant and vocally commanding of Tomskys, Dmitry Kharitonov as a soft-grained, notably stylish Yeletsky – are excellent individually and in contrast. Nancy Gustafson, her shining lyric soprano in mint condition, has done nothing better than this Lisa: no passive figure she, but a girl who simultaneously grows to womanhood and tragic stature.

The two great narcissists at *the opera's centre* are confronted with rare and chilling exactitude. Felicity Palmer's old Countess – cold, selfish yet with an aura of mesmerising radiance to her song-murmurings – proves all the more compelling for being so rigorously underplayed. The area of controversy *likely* to be aroused by this Glyndebourne performance concerns the Hermann of Yury Marusin. He has what the Italians call a "fixed tenor", of power and sometimes impressively dark intensity but little beauty, which seems to fall worryingly often on the flat side of notes and phrases. Yet so ferociously unsparing and wholehearted is his plummeting toward madness, *so free of gibbering-loony* cliché, that his vocal shortcomings end up by counting for amazingly little.

Sponsored by Johnson Matthey; in repertory until July 23.

Alastair Muir

Nancy Gustafson (kneeling) and Felicity Palmer in a sparkling Queen of Spades at Glyndebourne

Piano Recital/Andrew Clements

Noriko Kawai

In its first incarnation in the early 1980s the signal achievement of MusICA, and of its organiser Adrian Jack, was to identify and spotlight a whole collection of young composers whose work fell well outside the mainstream of contemporary music. Stylistically they belonged to a very broad church indeed, though Mauricio Kagel had been a vital influence in the artistic nurturing of a good many of them. The most striking talent, then as now, was that of Gerald Barry; MusICA introduced several of his early works and commissioned Barry's first opera *The Intelligence Park*, which eventually received its premiere at the Almeida in 1990.

Noriko Kawai's recital in the New MusICA series on Sunday gave over its first half to Barry's piano music. It was a timely reminder of what an original and teasing musical thinker he is, and how his abstract brand of post-modernism can take the simplest material and fashion from it the most exhilarating and disconcerting *discourse*. *Au milieu* (1981) is like a Clementi study run wild: scales that tumble over themselves, replicate, accumulate and eventually colonise the whole keyboard. *Swinging tripes and trillibubkins* (1986) is a delicate little study in the highest register, hardly coming into focus before it is all over, while *Sur les pointes* (1981) is one of the finest piano pieces of recent times, exploding out of a sequence of tight metronomic chords into high flights of figuration and unexpected nuggets of luminous melody.

Barry expects his pianists to have steely fingers and lightning reflexes, as well as an infallible ear for keyboard colour. Noriko Kawai's performances had evidently been scrupulously prepared; her *attention to detail* and voicing was exemplary. The second half of her programme was more conventionally demanding. Three of Adrian Jack's own pieces – *Tin-Pan Tango*, with its neat synthesis of dance rhythms and cheaply scented harmony, *Foray on the Liffey* and the trickey *Beginner's Fingers* – as well as two items from Dave Smith's Third Piano Concert showed her ability for lively characterisation and bravura display. In both *Guaracha* and *Toccantella* Smith's writing has all the glamorous rhetoric of a Liszt paraphrase; it needs exactly that kind of larger-than-life projection.

HK Gruber's *Luftschlösser* cast the only shadow over this attractively planned programme. It is a sequence of *four pieces composed* in 1981, continuing in the tradition of the German piano cycle, but proves to be no latter-day *Kreisleriana*: the material is unmemorable, the keyboard writing dogged. If it recalls any composer at all it would be Hindemith at his most *didactic* and utilitarian; a strange miscalculation for a composer of such regular wit and piquancy.

Institute of Contemporary Arts; final concert June 28.

Pop/Antony Thorncroft

Prince

Prince: the pop star as theatre

It's not hard to see the appeal of Prince. His spectacular show wafts you into the night club of your dreams. The sound system is as energising as it is exciting; the women – and men – on stage as sensual as imagination; look here, and a screen is firing exotic images; look there, and a dancer *is cartwheeling across* the *stage*. The lights pulverise; the musicians pound.

At the centre of this mayhem is the lithe mannikin himself, five feet nothing of techno-creativity, who travels to the stage by lift, encased in a pod and accompanied by "Thunder". Now in yellow suit, now black, now purple, finally in white, he orchestrates the extravaganza from the front, sometimes *playing* guitar, sometimes portable keyboards. He pokes his guitar between his male rapper's legs, or entwines his body around his two female dancers while tearing off their clothes. He strips off to expose the most elastic 34-year-old body in the business.

It is all too frantically jolly to be decadent. Even the gilt bed that hovers over the audience on which Prince capers with the girls during "Insatiable" is more of a fleeting *trompe d'oeil* than an erotic image. There is something Shakespearian about it all, Puck's hidden woodland frolics of *A Midsummer Night's Dream*, and for once the cavernous Earl's Court did not manage to destroy the magic.

Perhaps Prince has to keep moving because his songs hardly merit sedentary listening. This is the world's most flashy disco, with the feet doing the talking. The audience hardly need to be harangued into joining in. "That one was for lovers; this one's for whores", was Prince's main verbal contribution, as he launched into "Sexy Motherfucker", a song which just about sums up his party line and which got the thousands providing the chorus.

After his lacklustre appearance in 1990 Prince was out to prove that he has the most melodramatic imagination in pop. On the screens you could catch his smile as *he pushed on relentlessly, never flagging*, never doubting the impact of his extravaganza. He is big enough to let the gigantic Rosie Gaines on stage with her six octave vocal range and explosive version of "Dr Feelgood".

But in the extended finale Prince bags the acclaim. There is no subtlety; no emotion; no humanity in the performance. It *hardly touches the soul, but anyone* interested in pop music as theatre should catch Prince now.

Earl's Court, until June 24. Manchester Maine Road June 26, Glasgow Parkhead Stadium June 28.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 James DePriest conducts Netherlands Philharmonic Orchestra in works by Sibelius and Rakhmaninov. Repeated tomorrow (6718 345)

Beurs van Berlage 20.15 Netherlands Radio Chamber Orchestra and Chorus in Nono's Prometeo, repeated tomorrow and Fri (6270 466)

Muziektheater 19.30 Nikolaus Harnoncourt conducts Alfred Kirchner's production of Don Giovanni, also Fri and Sun afternoon. Tomorrow and Sat: Homage to Hans van Manen (6255 455)

■ BARCELONA

Teatre Grec 22.30 Simon Suarez's production of Bizet's Pearl Fishers, daily till Sun. June 28 to July 1: Beaumarchais' play The Marriage of Figaro (318 8599)

■ COLOGNE

THEATRE

New production of Die Soldaten, anti-establishment play by the 18th century German dramatist Jakob Lenz, is showing at the Schauspielhaus tonight. The repertory also includes Dürrenmatt's The Visit, Strindberg's Dance of Death and Edward Albee's Who's Afraid of Virginia Woolf (221 8400)

MUSIC

● Gidon Kremer presides over a four-day festival devoted to the music of Arthur Lourié (b.St Petersburg 1892, d.Princeton 1966), opening on Sunday at the Philharmonie. The first concert brings together a group of Kremer's chamber music colleagues. Mon: St Petersburg Chamber Choir presents a programme of a capella music. Tues: Kremer is violin soloist in Lourié's Concerto da Camera. Wed: Dennis Russell Davies conducts an orchestral programme including the Second Symphony (2801)

● Tonight's programme at the Philharmonie is a film about Sergiu Celibidache, who celebrates his 80th birthday on June 28 and will conduct two concerts in Cologne on June 29 and 30 (2801)

● This week's repertoire at the Opernhaus includes Un ballo in maschera (tomorrow and Sun) with Neil Shicoff (221 8400)

■ DRESDEN

CONCERTS

Hans Zimmer conducts members of the Staatskapelle and State Opera Chorus in tonight's programme of Schnittke and Schubert in the Semperoper (4842 323). Romely Pfund conducts Dresden Philharmonic Orchestra in works by Mozart and Dvořák on Fri and Sat in the Kulturpalast. Sun in Schloss Albrechtsberg: Concertino Dresden plays baroque concertos (4866 306)

OPERA

The Semperoper has Salome tomorrow, La bohème on Fri, Fidelio on Sat and next Tues, and Der fliegende Holländer on Sun. This month's repertory also includes Così fan tutte and Der Freischütz. The season runs till July 7 (4842 323)

■ FLORENCE

MAGGIO MUSICALE

Teatro della Pergola 20.00 Zubin Mehta conducts Jonathan Miller's production of Le nozze di Figaro with Lella Cuberli, Joan Rodgers and Thomas Hampson, also Fri and Sun. Tomorrow and Sat in Teatro Communale: Maurizio Pollini plays Chopin (277 9236)

■ FRANKFURT

DANCE/MUSIC

● 42nd Street, Broadway musical, has daily performances at the Alte Oper till July 5 (1340 400)

● A new production of ballets by Ohad Naharin, Alonzo King and William Forsythe is showing at the Opernhaus tomorrow, Sat and Sun (236061)

THEATRE

● A new production of Lorca's Dona Rosita la Soltera, directed by Wolfgang Engel, can be seen at the Schauspielhaus tomorrow and Sun. The repertory also includes Chekhov's Uncle Vanya and Shakespeare's The Merchant of Venice (2123 7444)

● Frankfurt's English theatre company has August Wilson's play Fences daily, except Mon till June 28 (2423 1620)

■ GENEVA

Victoria Hall 20.30 Eliahu Inbal conducts Orchestre de la Suisse Romande in Mahler's Second Symphony, also Fri (311 2511). Tomorrow and Sun in Grand Théâtre: Attila (311 2311)

■ HAMBURG

Musikhalle 20.00 Lieder recital by Kurt Moll. Sun, Mon, Tues: Gerd Albrecht conducts works by Berlioz and Zemlinsky (342025)

■ LONDON

OPERA

Covent Garden 19.30 La bohème. Tomorrow and Sat: Samson et Dalila (with Domingo). Fri: Der fliegende Holländer (071-240 1066)

CONCERTS

Royal Festival Hall 19.30 Leonard Slatkin conducts the Philharmonia in works by Frank Bridge and Schubert, and James Galway plays David Heath's Flute Concerto. Tomorrow: Katia Labeque and John McLaughlin Trio (071-928 8800)

Queen Elizabeth Hall 19.45 Barthold Kuijken directs the Orchestra of the Age of Enlightenment and Choir in a Bach programme. Tomorrow: Opera Factory in Coronation of Poppea (071-928 8800)

■ MUNICH

OPERA

Hildegard Behrens sings the role of Emilia Marty in tonight's performance of The Makropoulos Case at the Staatsoper (also Sun and next Wed). Tomorrow: Die Ägyptische Helena with Gwyneth Jones. Fri and Mon: Fidelio. Sat: John Cranko's Onegin (221316)

CONCERTS

Diana Ross gives a concert tomorrow at Gasteig. Fri and Sun: Herbert Blomstedt conducts the Munich Philharmonic Orchestra in works by Strauss and Nielsen, with Barbara Hendricks soloist in Barber's Knoxville. Mon: piano recital by Vladimir Ashkenazy (48098 614). Sat in Prinzregententheater: Rossini concert (334442)

■ NEW YORK

THEATRE

● Death and the Maiden: Glenn Close, Richard Dreyfuss and Gene Hackman in a production which brings out unexpected shafts of comedy in Ariel Dorfman's play (Brooks Atkinson, 256 West 47th St, 307 4100).

● Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's musical revue, combining old favourites with new material (Theatre East, 211 E 60th St, 838 9090).

● Lips Together, Teeth Apart: long-running production of Terence McNally's funny play about two couples sharing a beach house over the Fourth of July holiday weekend (Lucille Lortel, 121 Christopher St, 239 6200).

● Pageant: a musical spoof of beauty contests (Blue Angel, 321 West 44th St, 282 3333).

■ PARIS

Palais Garnier 19.30 Marcello Viotti conducts Dario Fo's Amsterdam production of Il barbiere di Siviglia. Runs till July 5, next performance on Fri (4017 3535)

■ STRASBOURG

STRASBOURG FESTIVAL

Palais de la Musique 20.30 Vladimir Ashkenazy plays piano music by Chopin and Mussorgsky. Fri: Wolfgang Gönnenwein conducts concertos for two, three and four pianos by Bach and Mozart, with Brigitte Engerer, Michel Béroff, Michel Dalberto and Alain Planes. Next week at Théâtre Municipal: new production of La traviata. The festival runs till July 4 (8832 4310)

■ VIENNA

Musikverein 19.30 Luciano Berio conducts Vienna Symphony Orchestra, with José Carreras. Tomorrow: Kiri te Kanawa (505 8190)

Staatsoper 19.30 Pinchas Steinberg conducts La forza del destino, with Eva Marton, Renato Bruson and Giuseppe Giacomini. Tomorrow: Don Giovanni (51444 2960)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week – a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

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Wednesday June 17 1992

The choice of the Irish

THE PEOPLE of Ireland have never held so much power. Should they, like the Danes, reject the treaty on European Union in their referendum on Thursday, it would probably fail. But this makes their choice not only more important, but still more difficult. It is not now a choice between Ireland's being in the European Union and remaining outside it. It is between a European Union that might include 11 or even all 12 of the present members of the EC and either no such union or one far narrower in its membership.

Irish voters must be as clear as possible about the implications of their choice. What would happen to their country – and to Europe – if the current project for European Union were to fail?

Mr Albert Reynolds, the prime minister, has been apocalyptic. He has told the Irish people that rejection of the treaty "would put the whole future of European integration at risk and would also put a serious question mark over our place in Europe". Similarly, he has warned that "it is not realistic to think that we can reject the European Union treaty and still enjoy the benefits of full membership".

Yet it is not obvious why this hope must be unrealistic. Why should the EC not survive an Irish "no"? If it does survive, why should Ireland – a member in good standing, just like Denmark – be excluded? Mr Reynold's prophecies of doom should not be given complete credence.

Large stake

Nevertheless, they cannot be ignored, simply because Ireland's stake is so large. Ireland is the only poor country that benefits substantially from the Common Agricultural Policy. It receives a total transfer of some 6 per cent of its gross domestic product, not to mention six Irish pounds for every pound paid to the EC.

It would appear mad for the Irish to risk such sums. But while a "no" vote would risk such a loss, it would not ensure it. If the EC were to survive with Ireland still a member, but the project for union were to fail in its current form, Ireland would still benefit from existing EC policies.

What Ireland would lose would be the planned increases, particularly in the "cohesion fund", though the scale of those increases now looks uncertain. But if the Maastricht Treaty is ratified, Ireland expects to receive I£6bn between 1994 and 1998 from the EC's structural and cohesion funds, compared to the I£3bn it received between 1989 and 1993.

Lost transfers

Apart from the lost transfers, the other likely cost to Ireland would come via the effect on confidence in *peripheral* currencies. Ireland has made a heroic effort at economic convergence within the ERM. Consumer price inflation is down to 3¼ per cent and, prior to the Danish vote, short term interest rates were less than 0.2 percentage points and long term rates less than a percentage point above German levels. Complete failure of the project for economic and monetary union would probably lead to wider differentials and higher real interest rates, even if the *ERM* itself were to survive.

Smaller transfers and higher interest rates: these are the most likely consequences of a "no" vote. If Ireland were forced out of the EC altogether, however, the losses would be far greater and not merely in budgetary and monetary terms. Ireland might then lose its access to the EC market as well.

Nevertheless, participation in Emu is itself not necessarily in Ireland's interest. The lower interest rates that are likely would help, as would the extra transfers. But Ireland's is a very different economy from those in the European core and the risks of an irrevocably fixed exchange rate are large. Without provision for substantial transfers to offset unforeseen economic shocks, participation in Emu would be a gamble.

Irish voters must recognise that a "no" vote is likely to end concerted moves towards European Union. For Ireland itself, the economic consequences of such a vote would depend largely on whether it could remain part of a still healthy EC: to be outside the EC would be a disaster; to be inside the EC, but not in Emu, need not be as great a disaster. The prime minister probably exaggerates how stark the choice facing the Irish people is. But of its importance for Ireland and for Europe there can be little doubt.

So farewell then Neddy

NOTHING IN the turbulent lifetime of Britain's National Economic Development Office has surprised so much as the manner and timing of its abolition.

Had Neddy been despatched rather than mutilated by Mrs Thatcher and her Chancellor Nigel Lawson in 1987, no one would have wondered at the government's motives. As it is, with a more pragmatic prime minister in Downing Street and the most interventionist boss at the Department of Trade and Industry since 1979, there is much speculation about the temperature of the discussion which led to yesterday's announcement. Mr Michael Heseltine, after all, is on record as favouring a strengthened Neddy.

Ministers yesterday claimed there had been no disagreement, while some officials detected Treasury retaliation in advance of Mr Heseltine finding time to pump up the organisation. Still others observed cunning in the actions of the president of the Board of Trade in taking industry-government relations more firmly under his own wing.

There will, however, be few mourners at the passing of an organisation which has struggled for 30 years to find an apt role in the British scheme of things.

Neddy began in 1962 as Harold Macmillan's answer to the French Commissariat du Plan, degenerated under the Wilson government to the slapstick incompetence of Labour's National Plan, before having its heart burned out by the failures of Labour's social contract and the attack upon the principle of even moderate northern European-style tripartism by Mrs Thatcher.

More vacuous

During the Thatcher years, the full National Economic Development Council met less frequently and spoke more vacuously. It was for the most part a true dialogue of the deaf, failing to exercise serious influence upon critical matters, such as pay-setting procedures, or even microeconomic concerns, like the crisis in training.

Even in its reduced state, however, the National Economic Development Office, the organisation's combined secretariat and think tank, continued to produce reports on supply side matters and on individual industrial sectors. At their worst, these reports resembled lobbying briefs by trade associations; at their best, they provided well-researched conclusions which influenced the industrialists and trade union leaders who had co-operated in their construction.

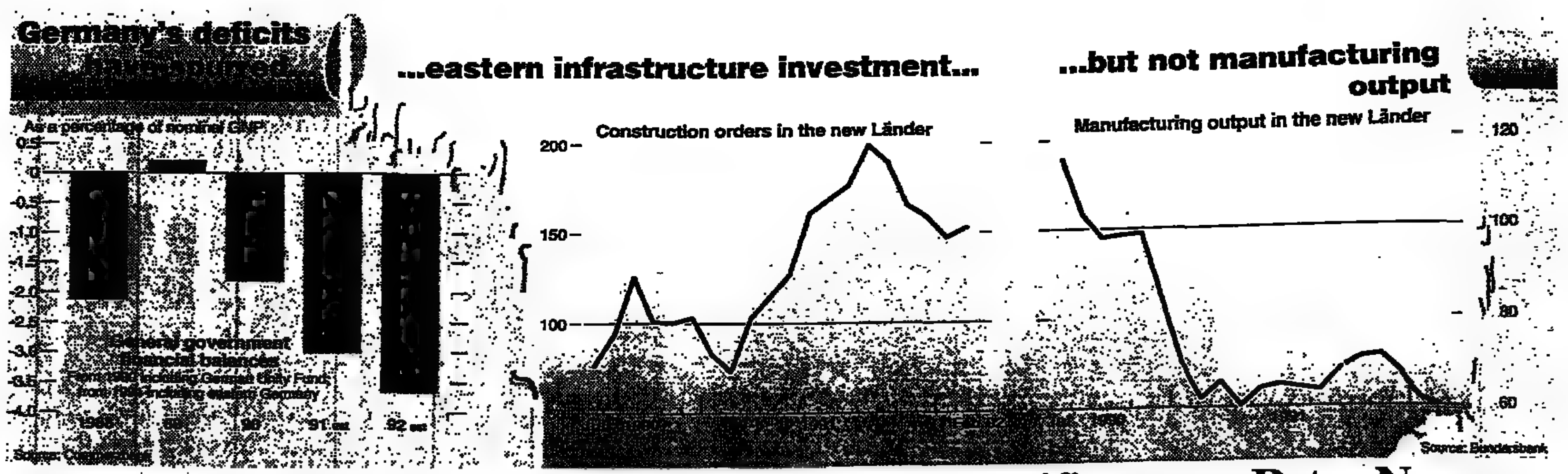
Treasury's grasp

It was not clear from Mr Heseltine's words yesterday how he sees the post-Neddy world. There will be no more regular formal meetings, no comment on macroeconomic matters now again securely in the Treasury's grasp and probably, he suggested, not much dialogue with trade unionists. He will, however, talk to business as he thinks fit and is re-organising his department along more sectoral lines which may well increase the effectiveness of this process.

Two main drawbacks are immediately visible. The new arrangements will be conducted in the privacy of Mr Heseltine's salon and so research will presumably be carried out by or at the behest of the government machine and will be published if and when it suits government. This is a small but noteworthy step away from more open government and pluralistic thinking and one which will need to be remedied. The case for an independent council of economic advisers, a German-style panel of "wise men" and/or an independent central bank equipped to provide relief from the errors which have characterised the Treasury's judgment in recent years is stronger than ever now that Neddy is to die.

Second, by avoiding the involvement of organised labour in its deliberations, Mr Heseltine's endeavours will be denied the possibility of that commonality of purpose which Neddy has sometimes fostered. Managers, of course, bear the main responsibility for communicating with their companies' employees, but the British economy remains one bedevilled by delusion, not least in the area of pay.

Neddy may well have been something of a pantomime cart horse in the 30-year war to establish a British economy capable of low inflation and steady growth, but the load it was born to pull is still there.



Germany is trying to reconcile affluence and sacrifice, says **Peter Normam**

Indigestion in the body politic

Arriving in Frankfurt, Germany, there is little to suggest that much is amiss in Europe's biggest industrial democracy.

The taxi from the airport is a top-of-the-range BMW 7 series. Poking above the modern skyscrapers that gave the city its nickname of "Mainhattan" is a pencil-shaped building taller than London's Canary Wharf that is nearly fully let. Department stores lure shoppers with ground-floor displays of gold jewellery and French perfumes rather than racks of modestly priced clothing as in previous years.

But Germany is experiencing problems. The recent wage conflict, which ballooned into an 11-day strike of public-service workers, upset the nation's social consensus and damaged its image abroad. The coalition in Bonn is in disarray. The Bundesbank's latest monthly report, published yesterday, shows how unification is much more difficult and costly than expected.

Germany has become a land of mixed fortunes. Huge transfer payments from public budgets in the west to consumers in the east have fostered private affluence and administrative despair. While supporting eastern living standards and production, in the west they have resulted in large and growing budget deficits and raised the question of how far Germany is capable of dealing with its problems.

A recent visit to Frankfurt, Leipzig, Dresden and Bonn, revealed the contrast between the west Germany of 20 years ago and today's unified country, but it raised more questions than answers.

Germany has changed greatly and not just because of unification. Some of the legendary discipline is still apparent, notably in the curious reluctance of people to defy red signals at pedestrian crossings when there is no traffic. But recent tensions, such as the public-sector strike, show how western Germany has ceased to be a model of Stakhanovite effort and highlight its difficulties in reconciling its affluence with the sacrifices required to *absorb the new eastern Länder*.

As always, it is wrong to judge the nation by Bonn, the capital. Bonn, with its peculiar population mix of politicians, bureaucrats, diplomats and journalists, has ever been a hot-bed of rumour and a fertile breeding ground for neuroses. It may be, as some long-resident observers maintain, that Chancellor Helmut Kohl's coalition of right-wing Christian parties and liberal Free Democrats is near collapse after almost 10 years in office. While unsettling, this does not yet spell gloom for the entire country.

Indeed, Mr Klaus Friedrich, a senior economist in the Frankfurt headquarters of Dresdner Bank, maintains that foreigners rather than Germans are the ones now falling prey to "angst" about the state of Germany. Unification has created tensions, and statesmanship is in short supply, he admits. But unification, although a shock, will be successfully managed. "It is like a python that has swallowed a sheep. It takes time to digest," he says.

A few hundred kilometres to the east, in Dresden – the bank's original home – gritty determination rather than confidence seems to be the order of the day. "Things are much worse than we expected," explains Mr Josef Höss, who has moved from Bavaria to be head of finance in the city administration. "But basically we should and can be optimistic. Dresden and Saxony have economic potential despite 40 years as part of east Germany."

But Mr Höss and his fellow city leaders have to overcome daunting difficulties to realise this potential. Holding up investment are 40,000 claims for restitution or compensation from former property owners in the city and he has only 60 officials to clear the backlog. The monotonous blocks of flats near his office are a constant reminder of the city's sub-standard housing stock. Dresden's infrastructure is inadequate: even a properly managed rubbish dump is lacking.

The handicaps facing the old industrial companies of eastern Germany are also great. They have lost their markets in the former Comecon trading area, been savaged by west German competition and obliged to pay wages approaching western levels. Mr Hans-Jürgen Alt, general manager of the Saxon Industry Federation and another recent arrival from the west, says his members' unit wage costs are twice those in the west.

Nor, so far, has there been any strong inflow of private investment to upgrade industrial productivity. The Federal Economics Ministry in Bonn complains that corporate investment per head of population in eastern Germany is only 60 per cent of western German levels. The big fear is that the new Länder will eventually share the latest "British disease" of having a modern and efficient industrial base that is too small to sustain high employment and wealth creation.

Infrastructure investment, by contrast, is growing strongly and per head of population is currently 130 per cent of western levels. But financing is a headache. Dresden met just 5 per cent of its financing needs from its own tax base last year compared with 30 to 35 per cent in most western German cities. The collapse of much of the city's industry meant that it gathered only DM39m (£13.4m) in local business taxes last year. "Normally I should get between DM440m and DM500m from a city this size," Mr Höss says.

Psychologically and financially, much will depend on the ability of the Bonn government to cut its deficits

Revenues are rising slowly. But the former east Germany will depend on transfers from the west for many years. Transfers to the whole of eastern Germany totalled DM140bn in 1991 and could reach DM180bn in 1992. At this rate, the east is absorbing wealth at a faster rate than is being generated by economic growth, says Mr Ulrich Ramm, chief economist of Commerzbank. The logical response should be belt-tightening in the west. But there is little sign so far that this need has been recognised.

Indeed, the public-sector workers' strike showed how far Germany's powerful trade unions are from accepting sacrifice. The counterpart to the social peace and consensual industrial relations that characterise the outsiders' view of Germany has been the system's capacity to deliver steadily rising living standards. Any upset in this routine has invariably resulted in a struggle over how to share out the national cake and the recent strike action was no exception to this rule.

The unwillingness of west Germans to shoulder the cost of union puzzled and hurt Mr Helmut Kohl, the chancellor. With hindsight, analysts agree that the government was wrong to create the impression that unification would be cost the taxpayer little or nothing.

Some pundits believe the absence so far of solidarity between west and east reflects a more deep-seated problem of generational change, accentuated by the hedonistic nature of western German society. According to Mr Meinhard Miegel, the director of the Institute for Economic and Social Research, a right-of-centre think tank in Bonn: "You are dealing with a society in western Germany in which ideas of patriotism have been deliberately de-emphasised over many years. It is difficult, therefore, for the government to play the patriotic card and tell west Germans why they must give something up."

But is this picture of a spoilt nation unwilling to cope with unforeseen problems universally applicable? Will German unification act as a running sore on the nation's polity and economy for decades to come? Or will Germany shake off its current malaise and make a success of unification?

There are some hopeful pointers:

- The new Länder are attracting a small but dedicated elite of officials and administrators from the west. People like Messrs Alt and Höss and Mr Rüdiger Thiele, who gave up a senior position in the federal chancellery in Bonn to become state secretary in the Saxony economics ministry, are prepared to put up with less comfortable surroundings and long hours of work to help rebuild eastern Germany.
- Closer analysis of recent wage settlements suggests the struggle to share the national wealth is becoming less intense. Although high at 5.4 per cent, the public-service workers' settlement was well below earlier demands for double-digit pay increases. The powerful IG Metall union's 21-month deal for 4m engineering workers was notable for including a 3 per cent wage increase covering the final nine months.
- Although companies in the east face a huge cost burden because the trade unions insist that they must bring their wage levels up to western levels by 1994, there are signs of a more pragmatic approach at local level. Mr Thiele cites the case of MZ Zschopau, a Dresden engineering company, where the local IG Metall branch has agreed that its workers should accept a temporary 10 per cent pay cut on the understanding that they will be paid the money, if and when the company makes a profit.

In Saxony, at least, there are hopes that private investment will pick up after a slow start. Some large plants, such as a new Volkswagen works in Zwickau due for completion in 1994, will encourage components suppliers. The region, unlike some other parts of the former east Germany, has a strong industrial tradition with a well-educated and hard-working labour force. While Saxony cannot offer low wages – unlike nearby Poland and Czechoslovakia – it has political and economic stability.

Psychologically and financially, much will depend on the ability of the Bonn government to cut its deficits. After two years of fiscal laxity, Mr Theo Waigel, the finance minister, is finalising plans for an austere budget to be announced early in July. By cutting spending sharply the government would show leadership. But such belt-tightening can only succeed if the west German public accepts that unification will mean lower or slower-growing living standards for many years through wage restraint and reduced public spending.

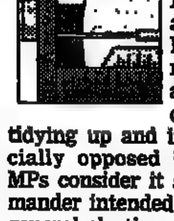
Meanwhile, estimates of the time needed to solve the problems of unification grow daily. Optimists now say adjustment could take 10 years. Others, including Mr Miegel, suggest that 20 or 25 years are necessary to bring the new Länder up to western German standards.

Chancellor Kohl and his embattled coalition must gain general acceptance of such unpalatable prospects before Germany's next national election in 1994. On the evidence of a recent visit, Germany's ruling class of officials, politicians and businessmen seems in no doubt that the country will ultimately make a success of unification. But so far there are only limited signs that the German public has the necessary patience to see the changes through.

PERSONAL VIEW

Boundaries of fair play

By David Butler



On Monday, the House of Commons gave a second reading to the Boundary Commissions Bill. The Home Secretary describes it as a desirable piece of administrative tidying up and it is not being officially opposed but some Labour MPs consider it a shameless gerrymander intended to decide the next general election.

Mutual agreement was behind the original rules for boundary-drawing in 1944. But those rules have proved unsatisfactory. Mutual agreement was, to some degree, behind their modification in 1958. But in 1948, and again in 1969, it was the Labour party that, unilaterally, engaged in what the Conservatives each time called a shameless gerrymandering by altering or delaying the commissioners' recommendations.

There are four boundary commissions, one each for England, Scotland, Wales and Northern Ireland. Since 1958 they have been required to recommend a new set of boundaries to the House of Commons at intervals of not more than 15 years. Mr Kenneth Clarke wants to change the term to 12 years to ensure that the current revision is complete by December 31 1994, leaving the prime minister free to call an election at the moment when the economy is at its most favourable in the fourth or fifth year of this parliament.

In last month's general election, successful Conservative candidates had on average 71,084 electors in their constituencies; Labour MPs had 61,546. A revision of boundaries that aims to equalise constituency size will necessarily cost Labour several seats. Labour city centres get depopulated; Conservative suburbs grow. Despite some whistling in the wind by Mr Roy Hattersley and Walworth Road, it seems certain that Labour will lose between 10 and 20 seats – making a difference of between 20 and 40 to the majority in parliament. It is easy to see why the Conservatives are eager for the change and why some people are eager to obstruct it. When a government has an overall majority of 21 (or less after by-elections) a straight addition of 30 or so will look like a welcome bonus when the dissolution comes.

There is an administrative case for reforming the current arrangements quite apart from the partisan one. The existing procedures are cumbersome. The 1983 redistribution took more than seven years to complete: the new boundaries that came into force in June 1983 were based on registration figures compiled in October 1975. The delay produced anomalies in constituency size. In Australia in 1984, it took only seven months to redraw the political map, turning 125 constituencies into 148 with full judicial *hearing for any objections to the* changes. But in the UK, boundary commissioners have been unpaid and the High Court judge at their head is only allowed one day every six weeks to attend to the work. The commissions have been seriously understaffed. Appeals can be farcical. Everyone involved knows that they are in effect a political charade in which no one may utter the key phrase "party advantage".

The rules binding the commissioners contain at least three anomalies. First they are told to make *constituency electorates* "as equal as practicable" while they are also told to respect natural communities "as far as practicable". There is no guidance on how far from the quota (currently 69,281 for England) they may diverge in order to make a constituency coterminous with a local authority – but they have (perhaps rightly) already decided to keep the Isle of Wight (with 102,000 or 1.4 times the quota) a single undivided seat. Until now they have respected London Borough boundaries but with Kingston at 1.3 quotas and Kensington and Chelsea at 1.2, they seem likely for the first time to treat Greater London as a single unit. As a single unit, it is entitled to 71 seats whereas if the 32 boroughs are treated as separate, inviolable units, London is entitled to 77. London now has 84 seats – will it lose 13 or only seven?

Every redistribution necessarily increases the size of the House of Commons – it has drifted from 625 in 1950 to 650 in 1983. It is likely to be more than 660 in 1995.

There is also the possibility of litigation, reasonable or vexatious. Late in 1982, three different Labour-inspired lawsuits delayed the last redistribution by three months. If the House of Lords had been willing to consider a final appeal, the 1983 *general election would probably* have had to be delayed or to have taken place on the old boundaries. Since 1983 there has been a general leap in the use of judicial review; the number of cases accepted has tripled. It is difficult to change the rules in midstream – by now the commissioners have already done a quarter of their work. But unless the rules are changed, the commissioners may meet Mr Clarke's new deadline of December 31 1994 only to find that the courts stop him from presenting their recommenda*tions to parliament until too late for* Mr Major's preferred election date – perhaps even until the next parliament.

The author is a Fellow of Nuffield College, Oxford.

Edward Mortimer

End this Maastricht agony

Ireland should follow Denmark and reject the treaty – because it is not federalist enough

FOREIGN AFFAIRS

Jokes based on national stereotypes are usually in bad taste, and English jokes about the Irish are among the worst. Yet it has to be said that the Irish bishops, in advising their flock how to approach tomorrow's referendum on the treaty of Maastricht, have lived up to English expectations. Their argument can be summarised as follows:

1 "The substantive and fundamental issue is the right to life of the unborn child."

2 This will, whatever the outcome of tomorrow's vote, have to be settled by another referendum, on a new amendment to the Irish constitution.

3 If Maastricht is approved, such an amendment may be ineffective.

4 If Maastricht is rejected, the issue will remain unresolved.

5 So decide for yourselves.

I am not a bishop, nor even a Roman Catholic, but I think I can do better than that. The issue of the unborn child – unquestionably important though it is – has nothing to do with the case. The Irish government itself took great care to ensure that that would be so, by persuading its 11 partners to accept a protocol saying that nothing in the treaty should be interpreted as overriding the provisions of the Irish constitution on that matter.

Since then, Irish public opinion has been thrown into turmoil by the case of the 14-year-old rape victim. At the time most people in Ireland seemed to feel that she should be allowed to go abroad to have an abortion, and that if Maastricht guaranteed the right of European Community citizens to travel within the EC, then Irish citizens should not be excepted. Bowing to this wave of public feeling, the Irish government asked its partners to rescind the protocol, only to be told that as part of the treaty it was carved in letters of stone and could not be changed.

But that whole argument was based on a false premise. The right of EC nationals to be admitted to each other's countries is already guaranteed by the Single European Act, and the right of Irish citizens to leave the republic if they so wish is not dependent on anything to do with the EC at all. It is guaranteed by the European Convention on Human Rights, which binds all members of the Council of Europe. And since the Irish Republic forms a passport union with the UK, there is in any case no way to stop Irish citizens from going to the UK if they so wish, unless by subjecting them to preventive arrest, which would surely infringe their rights under other articles of the constitution.

Abortion anger: the argument is based on a false premise

Finally, the Irish supreme court decided that the rape victim could legally have an abortion even within the republic, in spite of the constitutional prohibition, on the grounds that her life was in danger. This decision had nothing to do with Maastricht, and there is nothing in Maastricht that would prevent the constitution being amended to close this loophole, if that is what the Irish electorate really wants.

So, *pace* the bishops, tomorrow's referendum is not about the rights of the unborn child. In fact, legally it may turn out to be about nothing at all, since voters are being asked to ratify a treaty which can only come into force if ratified by all 12 member states, and one of them has already rejected it.

Politically, however, it is very important. If the Irish voters follow the example of their Danish counterparts, Maastricht will be politically as well as legally dead. It is inconceivable that the other 10 member states will soldier on with the battle to ratify a treaty that two have already rejected. Renegotiation will have become unavoidable.

So many reputations are involved, that some even more grotesque fudge might be dreamt up to rescue the treaty

If on the other hand the Irish vote "yes", there is still a chance that some way will be found of salvaging the treaty, either by so sugaring it with interpretative declarations on subsidiarity that the Danes can be persuaded to change their minds, or by working out some legal fix which would enable 11 members to implement the treaty, while Denmark's relations with them continue to be governed by the pre-Maastricht rules.

Personally, being no more a lawyer than I am a bishop, I very much doubt if either of these devices would work. But Maastricht itself is such a monumental fudge, and so many powerful people have invested so much of their reputations in it, that one should not rule out some even more grotesque fudge being dreamt up to rescue it.

So, bishops or no bishops, I hope the Irish voters will find the courage to strike the *coup de grâce*, and put Maastricht out of its agony. Saying that will probably lose me quite a few good friends, who thought of me – rightly – as a fellow "European"; and will win me a lot of new ones, whose company I shall not much relish. But the fact is that I have never much liked Maastricht. It is not that it is too federalist, but that it is not federalist enough, leaving too many decisions to be taken by committees of national ministers behind closed doors, with no clear accountability.

I should like to see a European union with a federal constitution, in which certain clearly defined powers would be exercised by a federal executive responsible to a federal parliament, and everything else would be left to member states, or indeed to smaller units of government – which, as I understand it, is what "subsidiarity" is all about. The federation would have just enough power to ensure genuine freedom of movement for people, goods and services within the geographical space that it covered, and to conduct an effective common foreign and defence policy.

It has never been entirely clear to me whether such a union really needs a single currency, but I am increasingly inclined to think not – or at least that it should come only after a very high degree of economic convergence has already come about, not by administrative fiat but through the operation of market forces. Economic and monetary union in its Maastricht form – essentially a Franco-Italian bid to hijack the D-Mark – looks to me increasingly misguided, because it is all too likely to provoke a German nationalist reaction, the beginnings of which we are now witnessing.

What I valued about Maastricht was that it at least attempted to bring about a common foreign policy, and to make possible, through the Western European Union, a common defence within the Atlantic alliance. But the machinery it set up for this purpose would have needed to be improved before long. You cannot run an effective foreign policy when every decision has to be agreed by 12 separate governments, as the lamentable EC performance over Yugoslavia has amply demonstrated. An enlarged community would be even more *helpless with this* machinery. What is needed is a single foreign ministry, headed by a politically accountable foreign minister.

I admit that I lacked the courage to condemn Maastricht outright, because I feared that its failure would mark the victory of nationalism and might lead to the fragmentation of the EC. I still fear that, but it need not be so. We should start work as soon as possible on building a real European union – one which knows what is and what is not its business, and can do its business in an efficient manner, under democratic control.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Price to be paid for bus deregulation

From Councillor Joe Murphy.

Sir, I would like to add to your excellent editorial, "A better way for buses" (June 5).

Passenger miles have indeed declined as people use their own transport in preference to deregulated buses, but not everyone has that choice. As the bus network decays so more and more of those least able to fend for themselves – the poor, the old, the disabled – become isolated and imprisoned in the homes. Some measure of mobility is achieved in shire counties by providing low-cost bus routes on the back of home-to-school or social service runs, but this life line for the disadvantaged is not mentioned by the government in its advice to the Commission on Local Government reorganisation; it must be regarded as under threat.

Joe Murphy,
chair of highways and transport committee,
County Offices,
Matlock, Derbyshire DE4 3AG

From Mr P J Pace O'Shea.

Sir, I was very glad to see you addressing the government's proposals on London Transport in your leader, "A better way for buses", but I do wish you had considered the visual effects of deregulation in the capital.

Take a walk or a drive along Park Lane and you will see that the carriage way bordering Hyde Park from Hyde Park Corner to Marble Arch has become a permanent parking strip for coaches and buses. This world-famous road in the heart of our capital is now blighted for the benefit of our beloved entrepreneurs, uncontrolled and unregulated. With the likely conversion of County Hall into a tourist and leisure centre in mind it may not be too fanciful to imagine a funfair going up in St James's Park and hotdog stands outside Buckingham Palace.

What a fall this has been from capital of an empire to an increasingly grubby tourist centre.

P J Pace O'Shea,
45 Fellows Road,
London NW3 3DX

No recognition for deserving engineers in honours list

From Mr W T Williams.

Sir, Having failed to obtain a single award for any one of a large number of highly deserving engineering manufacturers over no less than a decade, may I suggest that your headline, "Business leaders and former MPs dominate awards" (June 13), may be less than accurate.

Every life peer was connected with politics in some way, either appointed by the government or a politician in his or her own right. The word "dominate" could not apply less to business leaders.

Even down the list of civil servants, academics and service industries predominate. They outweigh much more deserving people.

It seems to me that the honours list, of doubtful value at any time, has far outlived its usefulness and should be dumped. If this is not to be, then may I suggest that the selection committee and all to do with it be removed from the civil service. Indeed, it seems an excellent example where privatisation might well permit it to do a much better job and perhaps survive.

W T Williams,
director-general,
Engineering Industries Association,
16 Dartmouth Street,
London SW1H 9BL

Objection to Lloyd's levy

From Mr Christopher Sokol.

Sir, When I joined Lloyd's in 1986 my agents and interviewer took great pains to stress the real nature of the unlimited underwriting liability which I was assuming. However, it was never suggested to me by anyone, nor was it apparent from the literature I received, that I was also writing a blank cheque to the Council of Lloyd's.

It may be the case that the council can properly increase the central fund subscription in the way and for the purpose proposed without the Members' consent, but it seems to me, as a matter of law, highly unlikely. In any event I do not regard a rather unspecific statement by the Lloyd's chairman that it is entitled to do so as sufficient.

With reluctance, therefore, I propose to decline to pay the levy unless and until I am satisfied that I am under a legal obligation to do so.

Christopher Sokol,
24 Old Buildings,
Lincoln's Inn,
London WC2A 3UJ

'Decade of choice' for retirement

From Ms Sally Greengross.

Sir, I was most heartened to read Diane Summers' report ("Support For Flexible Pension Age", June 15) that the majority of managers favour a flexible retirement age – and a larger pension the later people retire.

Age Concern England has long been in favour of a flexible "decade of retirement" giving individuals the choice as to when they retire. People should be able to choose whether to continue to work or draw a pension over a given age range, for example, 60 to 70.

Both men and women should be able to draw an adequate pension at 60, otherwise the choice to retire at this age with enough to live on will only be accessible to those with substantial private pensions or investment income.

Although there would be considerable cost involved in providing full pensions to both sexes at 60, Age Concern England believes this is an option the government should give full and detailed attention to before any final decision is made about pension ages. It is time for a "decade of choice" not restrictions.

Sally Greengross,
director,
Age Concern,
Astral House,
1268 London Road,
London SW16 4ER

Monetary union and the political dimension

From Mr John Stevens MEP.

Sir, Your leading article "Hard questions from the BIS" (June 16), while an admirable summary of the bank's annual report, does not convey its true import for the issue of European Monetary Union.

This is that the BIS view of the fundamental importance of the political dimension in achieving a single currency – notably with regard to the commitment of the proposed central bank to monetary stability and the enforcement of sound fiscal discipline – *enhances the prospect of an* inner core European Monetary Union going ahead without Britain.

There is no question that the BIS report reflects current German thinking. Much of the recent criticism of the Maastricht deal in the federal republic has centred on the perceived inadequate political return Chancellor Helmut Kohl obtained for agreeing to surrender the D-Mark. The Germans, for example, have always been sceptical that liberalised financial markets alone would be able to restrain member states from abusing a *single currency system* through over-borrowing.

Essentially the BIS position shows how difficult it may be to convince some continental opinion to detach European economic from political integration – the main aim of Britain's policy ever since it joined the Community. In the maelstrom of the ratification of the Maastricht Treaty and, even more perhaps, if the Maastricht Treaty were to collapse, the time for hard choices may not be long delayed.

John Stevens,
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OBSERVER

Banker's cutback

■ Well done Austria. The cosy world of central banking will never be the same again now the country's right-wing freedom party has made central bank president Maria Schaumayer take a 25 per cent pay cut and end the promise of lifelong jobs for her staff.

It's about time someone drew attention to the pay of the fat cats in Europe's central banks. It is hard to imagine any other industry where there's so great a need for a searching look at rewards. Sorting out the variances between countries would cause nightmares to anyone still aspiring to set up the problematical European central bank.

Admittedly, Schaumayer's case is rather extreme. Even after her pay cut, she still gets ASch6m, or around £300,000 a year, which is five times as much as Sweden's Bengt Dennis, and far more than either the Bank of England's Leigh-Pemberton or the Bundesbank's Schlesinger.

The Austrian National Bank's staff is more featherbedded than most, partly because of the country's deep-rooted patronage system. Even so, it is well nigh impossible to tell which of Europe's central banks give value for money. While it's suspected that the Italians and French, like the Austrians, are expensive, nobody has any way of being sure.

Sears' test-bed

■ Has Liam Strong, Sears' newly-installed chief executive, fallen for the Hanson mystique in making his first big appointment?

Stephen Park, his new finance director, certainly has an impressive CV. As a former Hanson financial comptroller he should be well trained in what Hanson does best – keeping a tight grip on costs and capital spending. He is also Lord Hanson's personal assistant, so he should have a pretty good idea what Britain's number one predator thinks about Sears – one of the London stock market's favourite takeover targets.

Even so, some Hanson-watchers wonder whether Park is in quite the same class as Chris Miller, Lord Hanson's previous PA – now in Wassall's driving seat – or BET's new finance director Bob MacKenzie, another old student of the Hanson school of financial management.

Park may not have long to prove himself. After all, it was only a year ago that Lord Hanson told the FT that "Allied-Lyons or Sears could be taken at any time but we do not want to go for them."

Battle scarred

■ First Beirut and now the Falklands. What, it may be asked, has David Tatham, Britain's ambassador in Beirut during last year's hostage releases, has done to deserve the Falkland Islands' governorship?

The answer is that Tatham seems to be a one of a small but growing band of Foreign Office folk who, believe it or not, are keen on the place. Before Beirut, Tatham headed the Falkland Islands' department at the Foreign Office, responsible for not only the islands but also Argentina. The department was set up after the 1982 Anglo-Argentine war over the islands, and closed when diplomatic ties were renewed in 1990.

Clearly the FO feels that the sensitivities of 2,000 sheep farmers bear striking similarity to the byzantine

"I've been listening to Robert Maxwell eating his lunch"

world of Middle East affairs. Tatham is taking over from William Fullerton, who is off to be our man in Kuwait. Fullerton, leaving his cat Jason behind, says he is very sad to be departing.

New broom

■ Malcolm Stephens's main regret on resigning last year as chief executive of Britain's Export Credits Guarantee Department was that it stymied his ambition to run the world's best export credit business. But he now means to do the next-best thing – from September he will head the Berne Union, the club for the world's top credit insurers.

True, given the Berne Union's traditional secrecy, Stephens might still end up as the last thing he intended: a museum curator. Even so, the combative record of the former diplomat and banker argues strongly for giving him the benefit of the doubt.

After all, it took singular courage to resign from ECGD last November, so signalling to government how much British industry resented its progressive withdrawal of cash support for export efforts. Only six months before, the government had privatised half of the ECGD by selling its short-term credit operations to the Dutch.

His moving to the Berne Union comes at a time when the credit insurance industry is set for radical reform. Both the European Commission and the OECD are working on plans to harmonise export finance practices internationally: "All of the Berne Union members are going through change, so it seems inconceivable that the Berne Union itself can avoid changing," he declares, new-broomishly.

Neddy goes west

■ Did Norman Lamont check with Welsh secretary David Hunt before abolishing the National Economic Development Council?

The chancellor of the exchequer was adamant yesterday that there was no place during the 1990s for the tripartite approach to economic management which the NEDC had represented since its inception in the corporatist 1960s. But Hunt seems to have other ideas.

He is busy setting up a new Welsh economic development council. It will bring together Welsh industrialists, trade unionists and local authority leaders to do just the job that NEDC was supposed to do for Britain. It is hardly surprising that some at Westminster are beginning to mutter that Hunt seems to be turning into more of a closet-socialist than his predecessor, Peter Walker.

Watchword

■ What's the name for a myopic prehistoric monster?

"Dyouthinkesaurus."

FINANCIAL TIMES
Wednesday June 17 1992

Waigel backs plan to put back production of European fighter

Germans may delay EFA decision

By Quentin Peel in Bonn

A COMPROMISE plan to keep Germany in the European Fighter Aircraft project could see a delay in aircraft production to allow time for Bonn's budget crisis to ease.

Proponents of the scheme in Britain and Germany hope to put off the final decision. This was to have been taken either next week, when the parliamentary parties of the ruling coalition meet, or on July 1 when next year's budget must be agreed in cabinet.

The overwhelming political consensus, however, remains opposed to the sophisticated fly-by-wire fighter, seen as a symbol of conspicuous defence consumption rendered obsolete by the end of the Cold war.

The idea of postponing a decision, understood to be backed by Mr Theo Waigel, the finance minister and a supporter of the EFA, would be to include a budget finance line for the project, but to allocate no money to it.

Some DM100m ($62m) is supposed to be included next year in preparation for full production of the aircraft.

A similar idea was put forward by British MPs visiting Bonn yesterday to lobby for the EFA, which is being jointly developed by Britain, Germany, Italy and Spain.

They suggested that full production could be delayed to allow a "pre-production" phase to go ahead. This would not require a final commitment by Bonn to take the aircraft.

"Discussions are going on whereby the decisions regarding the production phase can be put off," Mr Keith Mans, a British Conservative MP, and secretary of the all-party aviation group in the House of Commons, said.

Germany was not proposing to pull out of the development phase of the aircraft, for which it had already allocated DM6bn up to 1999, he said.

He detected a growing feeling in Bonn that, having paid the development costs, it would be absurd for Germany to pull out of full-scale production.

Supporters of the fighter admit that the choice is between a German decision to pull out of the project in the coming weeks, or a postponement of decision for at least a year.

They see no real possibility of the German government giving its approval, with the latest public opinion poll showing that more than 84 per cent of the population oppose buying the fighter for the Luftwaffe.

At the Berlin international aerospace exhibition this week, Mr Waigel made an appeal for a calm assessment of the EFA project.

He warned against "laying waste" Germany's defence aerospace industry with an instant decision to pull out of the European fighter scheme.

The three political parties in the ruling coalition will meet on June 23 to produce a recommendation, with Mr Waigel's Christian Social Union fighting a furious rearguard action to save it.

A draft budget must be presented to the German cabinet on July 1.

By including an "empty line" for the EFA, Mr Waigel might succeed in putting off the final decision to pull out of the project, in spite of the expected recommendation to do so by Mr Volker Rühe, Germany's new defence minister.

UK announces abolition of tripartite economic council

By Philip Stephens and Michael Cassell in London

THE UK government yesterday severed its last link with the consensual approach to economic management of the 1960s and 1970s by announcing the abolition of the National Economic Development Council.

Mr Norman Lamont, the chancellor, said the tripartite body, first established by Mr Harold Macmillan, then prime minister, in 1962 to encourage government, industry and trades unions to set a framework for economic policy, would be wound up at the end of this year.

In a parallel announcement Mr Michael Heseltine, the president of the board of trade, said his department would restructure its links with industry, taking on some of the work now done by the NEDC's sectoral working parties – known as little Neddies.

Some of the organisation's 100-strong staff will be offered posts at the Department of Trade and Industry and elsewhere in Whitehall but most face redundancy.

Mr Heseltine said his proposals – details will be announced before the parliamentary recess next month – would lead to "a more direct and more effective relationship" between the DTI and the industries it sponsored.

He made clear, however, that he did not envisage any role for the trade unions in his new approach to maintaining a dialogue with industry. "I do not see the trade union part of the Neddy organisation being built into the relationship we have".

Speaking in the House of Commons, Mr Lamont said the National Economic Development Office and its governing council, the NEDC, no longer reflected the "needs and realities of the British economy".

He stressed that the government was determined to maintain close links with industry but not in the "highly publicised and highly politicised" forum provided by the NEDC. Emphasising the government's sole charge of macro-economic policy, he added: "The age of corporatism must be put firmly behind us".

That view was reinforced last night by Mr John Major, the prime minister, who used a lengthy policy speech to insist that there could be no return to the "corporatist days". Mr Major told the Adam Smith Institute, the rightwing think tank, that his government would continue to take the state out of the market-place.

Industrial organisations shed few tears at the passing of the NEDC, which had its heyday in the early 1970s but which saw its role progressively diminished by Thatcherite economic policies during the 1980s. Some business leaders, however, expressed concern about the future of the detailed work carried out by NEDC working parties.

Mr John Smith led the Labour opposition's attacks on what he called an "act of industrial vandalism" which underlined the government's indifference to the future of manufacturing industry.

Mr Lamont, who has long been a critic of the set-piece confrontations between government and trades unions which have characterised NEDC meetings, decided after the April general election that it should be wound up.

But in what was seen as a political compromise with Mr Heseltine it was agreed that some functions should be preserved.

Background, Page 10
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EC central bank chiefs put on a brave face

By Peter Marsh in Basle

IT WAS brave faces all round this week among Europe's central bank governors.

Threatened with the premature demise of their pet project – European economic and monetary union – they responded by sowing the seeds for future squabbles of undreamed dimensions by establishing a working group to consider the design of pan-bank notes.

The emotive subject of whose faces should appear on the notes – to be used assuming Europe moves as planned to a single currency by the end of the century – is likely to be considered by the group.

That could lead to grave differences among member states on whether, for example, Marie Curie, Goethe or Isambard Kingdom Brunel should be given pride of place.

One official of the Basle-based committee of EC central bank governors stressed yesterday that the initial task would be to examine technical questions, such as their potential use in automatic cash machines, and anti-counterfeiting measures.

But this business-as-usual approach could not disguise the difficulties ahead for Emu.

In a forthright speech Mr Erik Hoffmeyer, governor of the Danish central bank, described how the entire project could quite easily draw to a close.

After his presentation, other governors closed ranks, noting the difficulties but deciding to carry on with technical preparations – chiefly for the European Monetary Institute, due to start in 1994 with the job of overseeing the move to full union.

But as one banker said: "We don't know where to go from here." Others were more optimistic. Mr Lamberto Dini, deputy governor at the Bank of Italy, said: "Emu will not be born out of a clear sky. I am confident it will be refurbished with a new treaty."

Mr Wim Duisenberg, governor of the Netherlands Central Bank, thought Emu in its planned form would probably still go ahead, though perhaps with only a small number of countries.

But another central banker said: "I don't see how Emu can work without political union as well. Before the Danish decision, I would have given Emu a 50 per cent chance of coming off in a majority of EC nations by the end of the century – now I'd put the probability at 10 per cent."

Mr Horst Bockelmann, economic adviser at the Bank for International Settlements and a former Bundesbank official, said: "It seems to me you just can't proceed as though nothing has happened. It (Emu) is too big an undertaking to force it on people. If you push too strongly, you may make things worse and have a less, rather than a more, united Europe."

For now, central bankers can just take comfort in that if Emu is scuppered, some of their work will have strengthened the system of pegged currencies fixed by the European exchange rate mechanism.

Call for publication of secret report on Maxwell companies

By Norma Cohen and Raymond Snoddy in London

MR JOHN MAJOR, the UK prime minister, will today be called on to publish a confidential report on the regulatory supervision of companies headed by the late Robert Maxwell.

The request will come from Mr Frank Field, the opposition Labour MP who is leading the campaign for compensation for pensioners of the Maxwell companies.

The secret report produced by Imro, the self-regulatory body for the British fund management industry, is critical of its own performance over the Maxwell affair and the professional advisers who were in a position to warn regulators.

Mr Field, chairman of the parliamentary select committee on social security which held hearings on the Maxwell affair, will deliver a letter to the prime minister today.

The Imro report has already been sent to the Securities and Investments Board, the financial industry's chief watchdog. The SIB and the Treasury, the government department responsible for financial affairs, are anxious to see the document published but are concerned that parts of it may be libellous.

The report is mainly critical of Imro's own failure to concentrate on companies of high risk.

But it also points out that the trustees, directors and a range of professional advisers, including auditors, failed to alert regulators to irregularities dating as far back as two years before Mr Maxwell's death.

Among other things, liquidators to the Maxwell empire are examining the audited report for the year to April 1990 of Bishopsgate Investment Management, the Maxwell-owned company which managed the pension funds of other Maxwell companies.

That report notes a share-lending agreement between BIM and Lehman Brothers, the US-based investment house. Coopers & Lybrand, BIM's auditor, said it acted properly in approving the accounts.

As required by Stock Exchange rules, the shares were lent through a licensed money broker, Shearson Lehman Equity Money Brokers. It was accompanied by a share lending agreement and Coopers confirmed that collateral was held.

Coopers, however, confirmed that the shares were lent for an indefinite period, unlike most stock lending which is done for one day at a time.

Coopers was auditor to all the Maxwell companies and pension funds, apart from the Liechtenstein trusts. To protect client confidentiality, it had four separate teams working on different parts of the Maxwell group.

The last audit of the pension funds was for the period ending in April 1990. Most of the eventual losses of £448m appear to have happened after that date.

Major denies Maxwell intelligence claim

Continued from page 1

to the prime minister and other government departments. He told the FT last night:

"All that I told you about economic intelligence and the Bank [of England] being in receipt of that, I am utterly confident of". Mr Robison added: "As far as I am concerned the big issues are the way in which intelligence intercepts are made on companies, and who is in receipt of this information. I am very confident in my knowledge about JIC circulation of material, and also how the system works."

Some MPs have suggested that pressure on the government over the involvement of the security services could detract from pressure on the banks to return pension fund assets used as collateral for loans.

But the FT's report was raised by Mr John McFall, a Labour backbencher, who said the allegations "proved" that the government had more responsibility than it had admitted, and urged Mr Major to make the Treasury use its Banking act powers to force the banks to return the assets.

The Treasury has said it has no plans to become involved in exerting pressure on the banks, and that this is a matter for the special unit, led by Sir John Cuckney, in the Department of Social Security.

Yesterday there were signs at Westminster that MPs campaigning on behalf of the Maxwell pensioners were now turning their attention to financial institutions in Liechtenstein.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Boulogne	F	18	64	Frankfurt	F	27	81	Majorca	F	21	70	Oporto	S	22	72	Tenerife	S	23	73
Algiers	S	26	79	Brussels	F	21	70	Geneva	S	24	75	Malaga	F	29	84	Oslo	F	21	70	Tokyo	S	25	77
Amsterdam	F	19	66	Budapest	F	25	77	Gibraltar	R	19	66	Malta	S	26	79	Paris	S	25	77	Toronto †	S	14	57
Athens	F	28	82	Buenos Aires	R	18	64	Glasgow	C	16	61	Manila	F	35	95	Prague	F	24	75	Tunis	F	25	77
Bahrain	S	39	102	Cairo	F	29	84	Helsinki	F	19	66	Melbourne	S	10	50	Reykjavik	R	7	45	Valencia	F	21	70
Bangkok	C	33	91	Cape Town	S	22	72	Hong Kong	F	29	84	Mexico City	C	28	82	Rhodes	F	25	77	Venice	F	26	79
Barcelona	F	21	70	Caracas	C	29	84	Innsbruck	S	27	81	Miami †	C	22	72	Rio de Janeiro	F	30	86	Vienna	S	24	75
Beijing	S	30	86	Casablanca †	F	22	72	Inverness	C	16	61	Milan	S	27	81	Rome	S	25	77	Warsaw	F	24	75
Beirut	C	24	75	Chicago †	S	19	66	Islamabad	F	41	106	Montreal †	S	15	59	Salzburg	S	25	77	Washington †	F	21	70
Belfast	C	17	63	Cologne	F	23	73	Istanbul	F	24	75	Moscow	C	22	72	S'Francisco †	C	13	55	Zurich	S	26	79
Belgrade	T	24	75	Copenhagen	F	20	68	Jakarta	R	31	88	Munich	F	25	77	Seoul	F	28	82				
Berlin	C	24	75	Corfu	S	27	81	Johannesburg	S	18	64	Nairobi	C	21	70	Singapore	F	30	86				
Biarritz	C	20	68	Dallas †	C	26	79	Lisbon	S	22	72	Naples	S	27	81	Stockholm	C	19	66				
Bombay	F	33	91	Dublin	F	15	59	London	F	19	66	Nassau	C	30	86	Strasbourg	S	28	82				
Bordeaux	F	26	79	Dubrovnik		–	–	Los Angeles †	S	15	59	New Delhi		–	–	Sydney	S	15	59				
				Edinburgh	C	16	61	Luxembourg	S	26	79	New York †	S	18	64	Taipei	C	32	90				
				Faro	S	21	70	Madeira	R	19	66	Nice	S	25	77	Tangier	C	18	64				
				Florence	S	28	82	Madrid	R	15	59	Nicosia	F	24	75	Tel Aviv	F	22	72				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

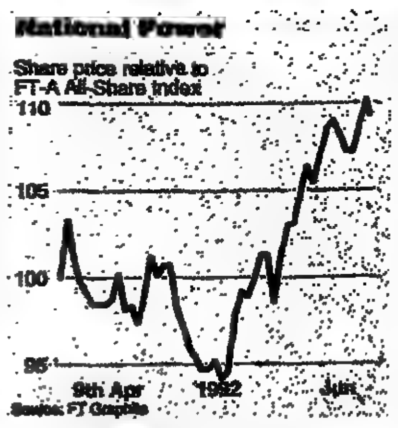
PSBR in perspective

It would be a comfort if May's £3.1bn PSBR was a sign that worries over government finances had been overdone. The figure is significantly lower than the market expected. Unfortunately, it has been compressed by distortions relating particularly to the timing of transfer payments to local government. The underlying picture remains depressing. Income tax and social security contributions are barely changed on a year ago, while corporation tax receipts have fallen by two thirds to £150m. If that trend continues, the government could well be on course to exceed its full-year target of £28bn.

The only consolation is that this prospect is now largely accepted by the gilts market, especially after its correction following Denmark's Maastricht referendum. Indeed, the slippage in prices since then probably owes as much to the end of post-election euphoria as to concern about currency union. During that time gilts have outperformed French Treasury issues, but, unlike the UK, France is to hold a referendum on Maastricht.

Certainly the market took yesterday's Bank of England auction announcement in its stride. At £2.75bn, the total on offer is slightly above expectations, which in turn suggests the Bank believes that demand has returned at the longer end of the maturity spectrum. All the same, there will be some nail-biting in Threadneedle Street until the Irish vote is counted.

FT-SE Index: 2616.3 (+22.7)



UK buy-outs

Anglian and Taunton Cider can obviously be accused of returning to market with indecent haste, respectively within 18 and 13 months of being purchased by their managers. But the speed with which these two companies have been readied for flotation surely says something for the success of the management buy-out phenomenon. A more interesting question for investors – given that these two, MFI and Kenwood Appliances currently make up a highly unusual MBO quartet – is whether such companies can retain sufficient motivation to provide attractive stock market returns.

The large quantity of debt taken on by many MBOs is often seen as hampering access to capital – but as the MFI team will testify the balance sheet structure provides a powerful incentive for operating efficiency. Taunton's interest costs jumped from just £190,000 in the year before its buy-out to almost £10m last year – a burden which no doubt helped spur a full 2.8 percentage point improvement in margins. Relieved of some of the pressure by new capital from investors – and personally enriched in the process – is there not a temptation for management to sit back and relax?

A glance at the unweighted performance of the 27 MBOs floated since 1988 – and still retain their listings – suggests otherwise. On average, they have outpaced the market by 17 per cent, with the five biggest collectively outperforming the All-Share by 57 per cent. Perhaps this should be no surprise. MBO teams that survive the ordeal are likely to be sharper than many run-of-the-mill public company boards, while the advisers generally make sure they and their employees have a continuing stake in the business. The buy-out process, it seems, creates a momentum of its own.

National Power

There is no denying National Power's confidence. In part, the mood reflects the increasing likelihood that the government will sell its remaining 40 per cent stake in the two electricity generators once British Coal has been privatised. More generally, the company has much to be confident about. Yesterday's 10 per cent dividend increase was a curt response to PowerGen's larger increase last week. While National Power's £101m of extra provisions looked unnecessary in the short term, the company was admirably forthcoming about its desire to protect future profits. It is not just that several thousand more jobs are to be cut over the next two years. National Power is also accelerating its plant closure programme, which means higher depreciation charges than anticipated at privatisation.

Put back the provisions, and pre-tax profits grew by more than twice the stated 18 per cent. Equally, PowerGen's figures contained one-off income and £127m of provisions, without which profits growth would have been a similar 40 per cent. The main difference is in the underlying operating performance, where, by most measures, National Power was the more efficient. It has plenty of scope to restore the parity of its dividend in future.

Swedish banks

Yesterday's announcements from Gota and Svenska Handelsbanken are a rude reminder of how intractable the crisis in Swedish banking has become. Unlike SEBanken, Sweden's largest bank, Handelsbanken is still in profit. But non-performing loans virtually doubled in the first four months. Gota has insured its loan portfolio with Trygg-Hansa, its main shareholder. US banks have insured developing country loans in the past, but Gota is paying a high premium to protect itself against losses. That smacks of more than just financial engineering. At least depositor confidence should improve now the insurance is in place.

Eventually Swedish bank profits should rebound as loan loss provisions abate. That point is still a long way off. Sweden's banking crisis is not as acute as that facing Finland or Norway, but the repercussions have now hit even well-managed banks like Handelsbanken. Worries about currency stability prevent Sweden from applying the normal palliative of lower interest rates. The banks themselves are hardly optimistic. Sharply higher provisions for the first four months suggests they do not expect much respite this year, if any at all.

Eurotunnel

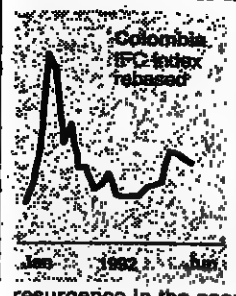
TML's confirmation that it will consider Eurotunnel shares as part of a claims settlement suggests this idea may well feature in any final deal. The trouble is that the UK members of the Anglo-French building consortium desperately want cash. Eurotunnel shareholders must hope that Sir Alastair Morton can persuade them not to dump any new holdings in the market, given the effect this would have on the already fragile share price.

INSIDE

Dasa takes stake in satellite venture

Dasa, the aerospace arm of Daimler-Benz, is paying $57m for a 12¼ per cent stake in Space Systems/Loral, the US commercial satellite manufacturer. Loral, the defence electronics company, is injecting another $59m into the company to maintain its stake at 51 per cent. Page 24

Unsettled run in Colombia



After an extraordinary run which peaked at the end of January, the Bogota equity market has dropped into an unsettled period. With electricity rationing to continue until the end of 1992, tax reforms going through congress and the latest economic growth estimate down to 2 per cent, hopes for a resurgence in the second half of the year have been damped. Back Page

Back from the futures

The Chicago Board of Trade and the Chicago Mercantile Exchange – which built their massive trading volumes on financial futures – are to step back toward physical commodities such as soyabeans, copper and cattle. Page 30

KIO's Spanish steps

The Kuwait Investment Office (KIO) is looking for a new investment partner in Spain. The London-based office needs help to manage its Spanish holdings following the resignation of Mr Javier de la Rosa as deputy chairman of KIO's Spanish holding company. Page 22

Cockle limits hit Hazlewood

Pre-tax profits at Hazlewood Foods were flat at £51.3m ($95m) in the year to end March. Hazlewood's products span fish, meat, ready meals, bakery products, sandwiches, pickles and quiches. Mr Peter Barr (left), chairman, said a restriction on cockle fishing in Dutch waters cost the group about £3m, while lower margins in the meat, produce and fish businesses knocked £3.4m from profits. Page 28

Not so sure about Swift

Investment managers are now allowed into Swift, the bank-owned international messaging system – but many say they no longer want to join. Page 25

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Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Casal +	1190	+	33
AG Ind & Verk	730	+	15	Roussel-Uclaf	2320	+	110
Asko	748	+	28	Falls			
Holzmann Ph	1195	+	70	Imm de France	807	–	27
Schmalbach Lub	575.5	+	15.5	Industrielle	5990	–	460
Falls				Vallourec	200	–	21
Douglas Hldg	579	–	7	**TOKYO (Yen)**			
Porsche	585	–	9	Rises			
NEW YORK ($)				Fujitsu	1140	+	80
Rises				Mitsui Wharf	1740	+	130
Aro Alaska Fish	11⅞	+	4¾	Falls			
Digital Equip	37⅝	+	⅝	Daikyo	910	–	90
McDonnell Doug	39⅜	+	⅞	Hayashikane San	302	–	23
Falls				Longseal	226	–	19
Compaq	25	–	2⅝	Okinawa Elec	5400	–	400
Hewlett-Packard	68⅞	–	2⅛				
Tyson	17½	–	1				
PARIS (FFr)							
Rises							
Accor Entrepr	699	+	18				
LONDON (Pence)							
Rises				TI	368	+	14
BET	144	+	8	Vodafone	344	+	10
Br Aerospace	308	+	12	Welsh Water	428	+	12
Cupid	197	+	7	Falls			
Erskine Hse	88	+	5	Airtours	292	–	12
Enstock	75	+	8	Bridon	82	–	5
HSBC	313	+	12	High-Point	164	–	13
King Shaxson	76	+	4	Ldn Clydeside	105	–	10
Lasmo	209	+	10	Trafalgar Hse	112	–	4
MTG	523	+	13	Volex	329	–	15
Rhapsody	517	+	15				

TML accepts paper payment in Eurotunnel

By Andrew Taylor, Construction Correspondent

CONTRACTORS building the Channel tunnel said yesterday they would be prepared to accept shares or similar certificates as part settlement of claims for extra payments of more than £1bn ($1.82bn) they are seeking from Eurotunnel, the project's owner.

Transmanche Link (TML), a consortium of five British and five French construction companies, is claiming additional payments of about £800m at 1985 prices to cover the increased cost of fitting out the rail tunnels and building two passenger terminals at Folkestone, in south-east England, and Sangatte, northern France.

The total claims made by TML rise to more than £1bn at 1985 prices if contractors' demands for additional payments for other parts of the project are included.

Talks between TML and Eurotunnel aimed at trying to resolve the issue resumed last autumn. The negotiations have included the possibility that contractors might accept some form of Eurotunnel paper in part settlement of their claims.

TML, in a statement signed by all 10 construction companies said last night that "in order to help Eurotunnel" it would be "prepared to accept payment of a limited part of the money owing to them".

Eurotunnel stressed that TML's claims still had to be substantiated and said that it "was not envisaging a substantial issue to TML". Any issue would have to be submitted to shareholders for prior approval.

The group previously has said that any issue would form less than 10 per cent of the group's equity. It is likely that Eurotunnel would want to issue some form of convertible loan stock.

Eurotunnel, because it is in technical breach of its loan covenants, has been forced to seek a waiver from its banks to allow it to draw down further funds to enable construction to continue.

The breach has been caused by the increased cost of building the project, which since 1987 has risen from £4.8bn to more than £8bn, and lower revenues expected in the first year of operation due to a delay in receiving rolling stock.

The banks, in return for granting a waiver, have been putting pressure on Eurotunnel and TML to reach an early agreement on their claims. Both sides say many details remain before agreement can be reached.

Lex, Page 20

Lufthansa, JAL lift DHL stakes

By Andrew Fisher in Frankfurt

LUFTHANSA, the German airline, and Japan Airlines are increasing their stakes in DHL International, the world's largest air courier company, from 5 per cent to 25 per cent each at a time of rapid growth in the express delivery business.

Nissho Iwai, the Japanese trading house is lifting its holding from 2.5 per cent to 7.5 per cent, giving the three companies a majority of 57.5 per cent in Hong Kong-based DHL International which will continue to be run independently. The remainder will be held by the original founding managers.

The rise in the three companies' stakes came through the exercise of options taken out when the original investment was made in December 1990. No price was given but a figure of about $500m was put on the full deal, including the likely increase to a majority, when it was announced two years ago.

Lufthansa said the decision to increase its stake reflected the buoyancy of the express packages and air cargo delivery market, the strength of DHL's own results and its favourable experience with DHL as a partner.

Mr Jürgen Weber, the airline's chief executive, said: "DHL has achieved a remarkable strengthening of its leading position in the international air express market. Lufthansa, along with the other partners, plans to build on this result by enhancing the service that DHL currently provides."

Mr Patrick Lupo, DHL's chairman, said group turnover this year would be around $2.5bn, an increase of more than 20 per cent on 1991. This would comprise $1.8bn from the non-US activities of DHL International and up to $700m from DHL Corporation in San Francisco. DHL Corporation is not included in the current deal, but the same three shareholders own a combined 2.5 per cent of it with options to increase this to 20 per cent.

DHL's European revenues are forecast to reach $1bn this year, with growth of 25 per cent in the first quarter. After the US and the UK, Japan and Germany are DHL's two biggest markets. Mr Lupo said the link with the three companies had contributed to DHL's success.

He said there was no intention to bring in other partners or for the present three to increase their stake further. He held out the possibility of a flotation of DHL shares in a few years.

UK power group profits rise 96%

By Juliet Sychrava in London

NORWEB, the Manchester-based regional electricity company, yesterday reported a 96 per cent rise in pre-tax profit to £137.9m ($250.9m) for the year to March 1992.

This will provide more grist for the mills of critics of electricity privatisation in the UK, who have attacked the 41 per cent increase announced on Monday by East Midlands Electricity, the first regional company to report.

The result follows a warning on Monday from Professor Stephen Littlechild, the electricity regulator, that the privatised industry would not be allowed to make excessive profits.

But Mr Ken Harvey, Norweb chairman, said: "Our tariff increase of only 1 per cent this year was one of the lowest in the industry," he said.

The company also pointed out that the underlying increase in profits was a more modest 20 per cent, close to the 18 per cent increase in pre-tax profit to £514m announced yesterday by National Power, Britain's largest electricity generator.

Norweb's big increase last year was partly because – like all 12 regional electricity companies – it raised prices sharply in April 1991. This was to compensate for the previous year, when the companies undercharged customers.

In addition, profits in the previous year were depressed by exceptional costs, particularly bad debts in the company's retail business. If both these factors were stripped out, Norweb said, underlying profit would have increased 20 per cent.

National Power was the focus of attention yesterday when it came to job losses. It cut 3,000 jobs, or 21 per cent of its workforce, while Norweb cut 280 jobs, nearly 4 per cent of its workforce.

National Power said this was part of a programme announced after privatisation, when it had around 17,000 staff. But it acknowledged it had revised proposed job cuts up from 5,000 to 8,000 last year.

Both companies said lower electricity prices depended on the negotiations with British Coal, an important fuel supplier.

"Good progress has been made towards the sort of deal that will lead to real term reductions in the electricity price," said Mr John Baker, chief executive of National Power.

And Mr Ken Harvey, Norweb chairman, said: "We expect to keep our prices below inflation next year. How far below depends on the coal deal."

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Nikki Tait on moves towards a global market in equities

Chink in the armour of US regulation

Globalisation is a rather tarnished concept. So what should be made of proposals which could allow non-US investment companies – such as UK unit trusts – to sell their shares more freely to American investors, as long as US mutual funds obtain similar access overseas?

The question is topical because of a recent report by the Securities and Exchange Commission, the US securities industry watchdog. This 540-page document had its genesis two years ago, when the SEC decided to review some 50-year-old legislation governing its investment management industry.

Proposals in the report are sweeping, stretching beyond the "internationalisation" issue. The document suggests, for example, that restrictions on the sales fees which US investors can be charged by the nation's $1,300bn mutual fund industry should be largely abandoned.

It recommends that funds specifically for sophisticated investors should be freed from onerous registration requirements. And it advocates allowing funds' shares to be sold, European-style, by advertisement, ditching the requirement that investors see a full prospectus.

The aim of reforms such as these is twofold: to streamline regulation, hopefully stimulating innovation; and to introduce more competition.

The main suggestions on globalisation are:

- Foreign investment companies should be permitted to sell shares in the US without having to meet all provisions of the Investment Company Act, provided they are subject to regulation in their home country which provides "substantially equivalent" protection for investors. Their entry into the US should also be "in the public interest".
- The SEC should be authorised to enter bilateral agreements with other regulatory organisations to facilitate this.
- The SEC should support tax changes to help US investment companies compete abroad.
- The SEC should restrict its supervision of "foreign advisers" who register to do business in the US. It should not regulate a registered foreign adviser's dealings with clients outside the US.

At first glance, the proposals seem commonsense. The 1940 Investment Company Act bars a foreign investment company from making a public offering of its shares in the US unless the SEC believes it can enforce compliance with all provisions of the act (in this case, it grants a "section 7(d) order").

Since the act prohibits practices which are commonplace in Europe this means a foreign fund wishing to sell shares to US investors must structure itself and operate like a US investment company. As the report notes, no foreign investment company has obtained a 7(d) order for almost two decades.

Equally, a foreign investment adviser, who registers with the SEC to sell services in the US, will find *all* his activities – in the US and outside – become subject to the 1940 Investment Advisers Act. A non-US adviser can discover that legitimate business in his home country proves illegal under US rules. To get around this problem, foreign advisers set up "independent" subsidiaries, registered in the US, to advise US clients. Such arrangements can prove cumbersome.

However, whether the SEC staff proposals present a practical answer to these problems is another matter.

For a start, it is uncertain how speedily changes in the US could be implemented – even assuming that higher authorities at the SEC are supportive. Giving foreign companies the right to sell shares in the US without effectively turning them into US operations would require legislative changes, for example.

The domestic impetus behind such a change seems questionable. The Investment Company Institute, which represents the US fund management industry and has been talking informally to counterparts in Europe about increased reciprocity, has been only lukewarm.

Ironically, political elements within the SEC may be more enthusiastic than the industry. "This time round, the SEC is quite proud of the US investment industry," says Mr Pierre de St Phalle, a partner with Davis Polk & Wardwell, the US law firm. "So I think they're keen to push the reciprocity idea."

Obstacles to sales reciprocity do not end with federal regulation. There is a series of diverse state rules, known as the "blue sky laws". As the SEC report notes: "This second layer of registration is arguably more burdensome for a foreign investment company . . . since [it] must also satisfy applicable regulatory requirements in its home country."

Conversely, it is unclear how much advantage US funds would gain in Europe, even if satisfactory bilateral agreements were secured. After all, they can already register a fund in Luxembourg – but are still hampered by the marketing demands of different European countries and tax disadvantages.

More fundamentally, it is questionable how great the "cross-border" demand really is. Big institutional investors are showing a greater appetite for globally diversified portfolios – although on the US side, interest has increased from low levels.

But even if this is indicative of investor demand generally, it may be met by a growth in locally registered funds which concentrate on holding foreign issues. The number of US-registered open-ended international equity funds, for example, rose from approximately two dozen in 1985, to 145 at end-December.

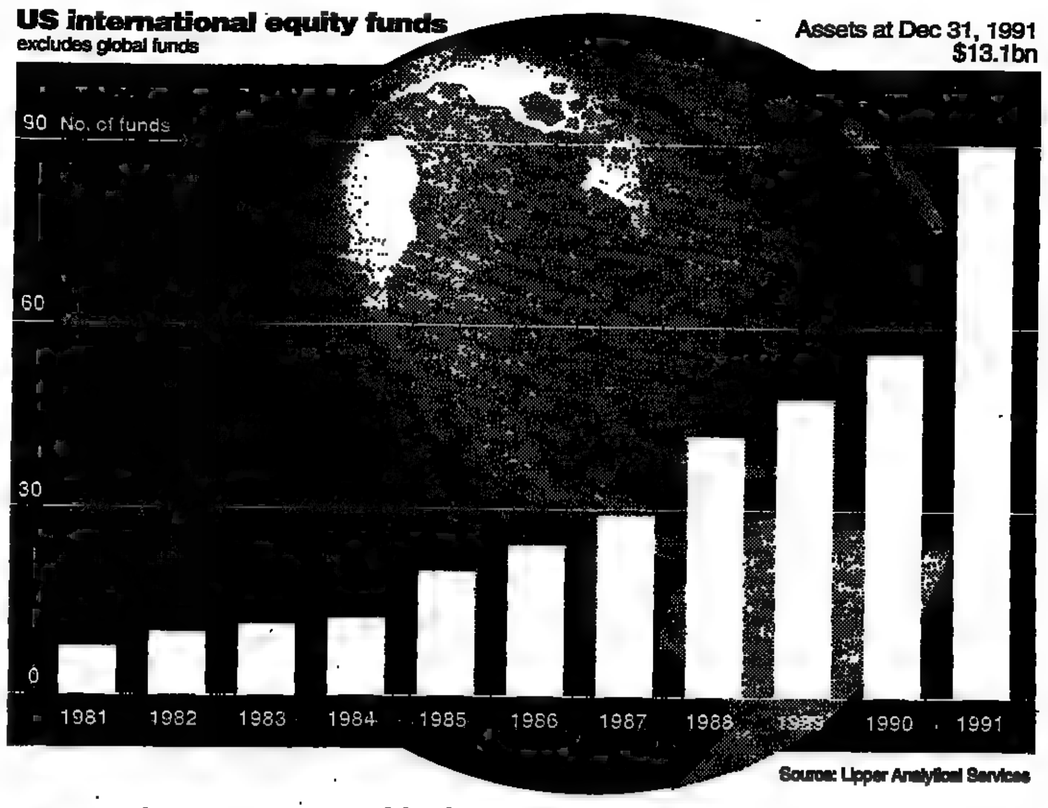
Still, if increased reciprocity for mutual fund sales is a subject on which the fund management industry – on both sides of the Atlantic – is cool, other elements of the SEC report enjoy a warmer response. The suggestion, for example, that regulation of non-US advisers should be restricted is seen by some UK fund managers as having real practical value.

Also, the suggestion that an unlimited number of "qualified purchasers" – that is, sophisticated investors – should be allowed to hold shares in a non-US fund where these are sold by private placement, wins some plaudits. The limit is currently 100 US shareholders.

But globalisation, it seems, can wait.

US international equity funds
excludes global funds

Assets at Dec 31, 1991
$13.1bn



Source: Lipper Analytical Services

Berlin gives go-ahead to merger of four banks

By Leslie Colitt in Berlin

THE Berlin city government gave its approval yesterday to the creation of Germany's sixth or seventh largest bank by the merger of Berliner Bank, in which the city holds 56 per cent, and three other banks in the German capital.

The merged banks would have a DM130bn ($80.7bn) balance sheet total and DM5bn capitalisation.

Berliner Bank had long urged the merger with Landesbank Berlin and Berliner Pfandbrief-Bank but the city, anxious to protect its stake in Berliner Bank, delayed the move.

Wohnungsbau-Kreditanstalt is to be included later in the merger.

Mr Norbert Meisner, Berlin's economics secretary, said earlier that the merger would create a bank large enough to provide the greatly increased investment needs in Berlin and the surrounding Brandenburg state.

It would also help reduce the burden on the city budget at a time when Bonn is sharply cutting its financial aid to Berlin.

Berliner Bank has benefited from expansion into east Berlin and Brandenburg since 1990 and is the only sizeable German bank to have kept its headquarters in the city.

Mr Edzard Reuter, chairman of Daimler-Benz and who is also chairman of Berliner Bank's supervisory board, said the merger was an enormous opportunity for the city but that care would have to be taken that the bank holding company did not turn into a "hollow mammoth".

Swiss to grant banking licences to Japanese

By Ian Rodger in Zurich

ALL Japanese banks and securities companies that qualify will be granted Swiss banking licences before the end of the year, according to a senior Swiss government official.

The large Japanese financial fraternity in Switzerland has been in a state of high tension in recent weeks because of the approach of a deadline under Swiss law obliging all non-banks to convert themselves into banks by the end of the year.

Applications from Japanese financial institutions have been blocked pending the completion of bilateral negotiations on various financial issues.

Mr Alexis Lautenberg, head of the financial and economic division of the foreign affairs ministry, said yesterday that the talks had been "successful" and so all the Japanese institutions that "qualified objectively" would get licences. "They should relax and be confident," he added.

In the talks, the Swiss sought an easing of Japan's tight restraints on overseas deposits by individuals and the abolition of restrictions on ownership links between the securities and banking units of Swiss banks in Japan.

Mr Lautenberg would not reveal the results, which hinge in part on the passage this week of a financial reform bill in the Japanese parliament.

Twenty Japanese banks and securities houses have Swiss banking licences, but 21 with Swiss operations do not. Mr Lautenberg said that Switzerland would not issue 21 licences.

The conversion to bank status requires a sharp increase in capital and it is expected that many institutions, suffering from a capital squeeze at home, will not apply.

The attraction of the Swiss licence to the Japanese is that, from the beginning of next year it will enable them to operate throughout Europe, provided that Switzerland joins the European Economic Area.

Japanese bankers and brokers believe that 10 licences will be offered. The Japanese MoF will then decide to whom they should be issued.

PolyGram pays $25m for Philips CD plant

By Michiyo Nakamoto

POLYGRAM is buying a CD manufacturing plant in the US for $25m from Philips, the Dutch electronics group, which owns 80 per cent of the record and entertainment group.

The acquisition follows earlier agreements between the two for PolyGram to acquire a CD factory in Germany and one in France for a total of around $100m from Philips.

The US factory has a capacity of 60m discs per year and produced 50m CDs last year.

It employs 530 full-time staff, and 60 per cent of production from the factory went to PolyGram itself, with the remainder going to third parties.

The group's sales of CDs has been growing and they have increased as a proportion of the overall product mix in unit terms, from 48 per cent in 1990 to 58 per cent last year.

The three recent acquisitions of CD manufacturing facilities from Philips was based on what PolyGram sees as a need to have a guaranteed, fast and economical supply of CDs for its largest markets.

The group plans to make CD-I discs for interactive TV games and other programmes stored in compact discs.

PolyGram also announced plans recently to manufacture digital compact cassettes, the new audio cassette tape format to be introduced by Philips, at its Amersfoot plant in the Netherlands.

Foreign stake in Total set to rise

By William Dawkins in Paris

FOREIGN ownership of Total, the French oil company, will rise from 30 per cent to 40 per cent as a result of the forthcoming government share sale, the group said yesterday.

Mr Serge Tchuruk, chairman, welcomed the move as likely to improve the liquidity of the market for Total shares and help dispel an image of heavy state control. The sale, by far the biggest of the socialist government's programme of asset sales, will take place before July 10 if market conditions permit.

It will reduce the stake held by the government and state controlled institutions from 33.9 per cent to 15 per cent. The state's direct stake will fall from 31.6 per cent to 5 per cent. State controlled banks and insurance companies will raise their stake from 2.3 per cent to 10 per cent, said Mr Tchuruk.

The existing state-owned investors are the insurance groups GAN and AGF, but it is not yet known which groups will buy the extra shares to be offered to the public sector. The sale, organised by Paribas, is expected to raise up to FFr10bn ($1.84bn) to fund the government's employment policies, but there will be no fresh cash for the company.

Most of the new foreign shareholders will be British and American, said Mr Tchuruk. Of the 22.9m shares being sold, 35 per cent will be made available to the French market, 32 per cent will be for the US and 33 per cent for the rest of the world.

The government does not plan to create a golden share to defend Total against takeovers, but will have the right to suspend any board decision likely to modify control, said Mr Tchuruk. In addition, Total would be seeking to build up a larger core of loyal long term shareholders, he said. The company's existing statutes oblige investors to declare shareholdings of 2 per cent.

Total did not envisage raising fresh capital for its own needs.

Kuwaitis seek a smoother ride in Spain

Peter Bruce reports on the search following the resignation of KIO's investment manager

MADRID investment bankers, in the doldrums as a sluggish economy has taken its toll of acquisitions and stock market flotations, have been galvanised by news that the Kuwait Investment Office (KIO) is looking for a new investment partner in Spain.

KIO, based in London, needs help in Madrid to manage its vast Spanish holdings following the resignation earlier this month of its Spanish associate, Mr Javier de la Rosa, as deputy chairman of Grupo Torras, KIO's Spanish holding company. In keeping with the orthodox investment strategies being moulded by KIO's new post-Gulf war managers, it wants a partner, and is understood to be talking to J. P. Morgan, First Boston and, possibly, Banco Bilbao Vizcaya.

A partnership with any of these institutions would be a world away from the ride KIO experienced with the mercurial Mr De la Rosa for the past eight years.

KIO stumbled across him as a young banker in 1984 when he helped it buy a small paper company, Impacsa, in Catalonia. In the years that followed, KIO, with Mr De la Rosa as an independent point man, spent about $2bn buying Spain's biggest chemicals group, ERT, creating the country's largest papermaker, Torras Hostench, and buying one of its largest foods groups, Ebro Agricolas.

The partnership was close. The bank he ran when they met collapsed in 1986 and, despite the resulting controversy, KIO stuck with him.

KIO's nerve only failed once, in 1989 when it pulled out of a venture with two Madrid businessmen to try to take control of Banco Central.

By then, though, the Kuwaitis were the biggest foreign investors in Spain. KIO-Torras-De la Rosa were merging ERT with a fertiliser company to form Ercros. They owned Prima, an aggressive property group. They bought a stockbroker and a small insurance company. In Ebro, like ERT, they shook the establishment by mounting Spain's first hostile takeovers.

The holding company, Torras, went public in 1988 and then, capitalised in the markets at around $1.6bn, bought its shares back two years later as Spain's economic boom began to falter and the market, having been tapped for large rights issues, began to worry about the effect Torras' acquisitions were having on profitability. Torras felt it was being undervalued in the markets.

Ercros and Ebro continued to quote in the markets but KIO and Mr De la Rosa had tight control of the Grupo Torras holding company. After the invasion of Kuwait in 1990, KIO injected some $3bn into Grupo Torras to reassure fidgety creditors. Last year, those loans were converted into equity, nearly doubling Torras' capital to Pta21bn ($212m) and boosting reserves by some Pta155bn to Pta180bn.

By then Mr De la Rosa had begun to say he wanted to devote more time to his own expanding financial interests, but KIO, preoccupied by the war, was in no condition to assume close control of Torras.

Also, Ercros had begun to go badly wrong. A merger with the state's fertiliser producer had not stabilised domestic prices and Ercros last year lost more than Pta15bn. Grupo Torras is said to have lost Pta8bn in 1991. Prima has also gone into debt as the property market has cooled.

Mr De la Rosa needed to stabilise Ercros before leaving Torras. Earlier this year he persuaded the US commodities group Freeport MacMoRan to pump new capital into a joint venture with the Ercros fertiliser and mining operations. To get support from Madrid, which had heavily subsidised part of Ercros, he persuaded Mr Jose Recio, a banker and member of the ruling socialist party, to become president.

Two days after Mr Recio arrived at Ercros, Mr De la Rosa announced he was leaving Torras, although he has bought 20 per cent of the profitable Ebro group this year and intends to keep it. Whether KIO is happy with this remains to be seen, and it is not clear whether the amicable parting will remain so.

But without Mr De la Rosa, even as an adviser, KIO's new management faces a tough time understanding the nature of its assets in Spain, and it needs time to decide what to do with them. Today KIO's leadership is meeting Mr Carlos Solchaga, the Spanish finance minister, to discuss its plans.

Mr De la Rosa's impetuous style has made him powerful enemies and KIO may not find that time. Last February, in a move that could have alarmed KIO, Barnett Fernandes, a London public relations company sent a note, on behalf of an unnamed client, to UK newspapers denouncing Mr De la Rosa's businesses and accusing him of plotting to topple the governor of the Bank of Spain.

A shy, secretive investor, KIO shuns from publicity and may have been content to bid farewell to Mr De la Rosa, now 44. And if the Kuwaitis do find a new partner in Spain, it might be to do no more than find a way out. Although Mr De la Rosa believes KIO will stay, he would take a hard look at any of the businesses they shed. He already knows them better than anyone.

Framatome posts flat profits

By William Dawkins

FRAMATOME, France's supplier of nuclear reactors, yesterday announced stable profits for 1991 and its first order for five years.

The group reported a net profit of FFr986m ($182.25m) against FFr984m in 1990, on turnover up slightly to FFr14.2bn from FFr13.6bn over the same period.

State-controlled Framatome, subject two years ago to a failed bid for control by Alcatel Alsthom, the private sector telecommunications and engineering group, has suffered from the international decline in demand for nuclear plant.

It expects turnover to fall again this year to FFr13.1bn, on which it is forecasting a FFr900m net profit.

Framatome's main nuclear customer, Electricité de France, has completed the expansion of its ambitious nuclear plant programme, but, as expected, did pass on an order for a 1,450 MW power station earlier this month. However, it lost a contract to build a steam generator in Belgium to Mitsubishi of Japan.

Pechiney International sees 'clear improvement'

By William Dawkins in Paris

PECHINEY International, one of the world's largest packaging companies, yesterday forecast a "clear improvement" in 1992 from last year's group net profit of FFr582m ($110m).

Mr Jean Gandois, chairman of the group, a subsidiary of Pechiney, the state-controlled aluminium maker, said profits were down slightly in the first half but that there would be a very significant net profits recovery in the second six months. Just how big the recovery will be depends on the strength of drink can sales in the summer and the value of the dollar, he told the annual shareholders' meeting.

He expected operating profits, FFr3.3bn last year, to remain stable after a rise in packaging profits and a fall in contributions from Howmet, the group's aerospace components division.

There will be a fall of between FFr350m and FFr400m in interest charges, thanks to a reduction in debts from FFr15.2bn to FFr9.1bn, according to a report issued at the meeting. The debt repayments are due to the recent sale of aluminium and metal trading assets to the Pechiney parent and the forthcoming conversion of warrants.

No large takeovers were planned in the short term.

● Rhône-Poulenc-Rorer, the pharmaceutical unit of the French state-owned chemicals group, yesterday said it was in line to meet analysts' forecasts of a $420m net profit for this year. This compares with $326m net on sales of $3.8bn in 1991.

COMPANY NEWS IN BRIEF

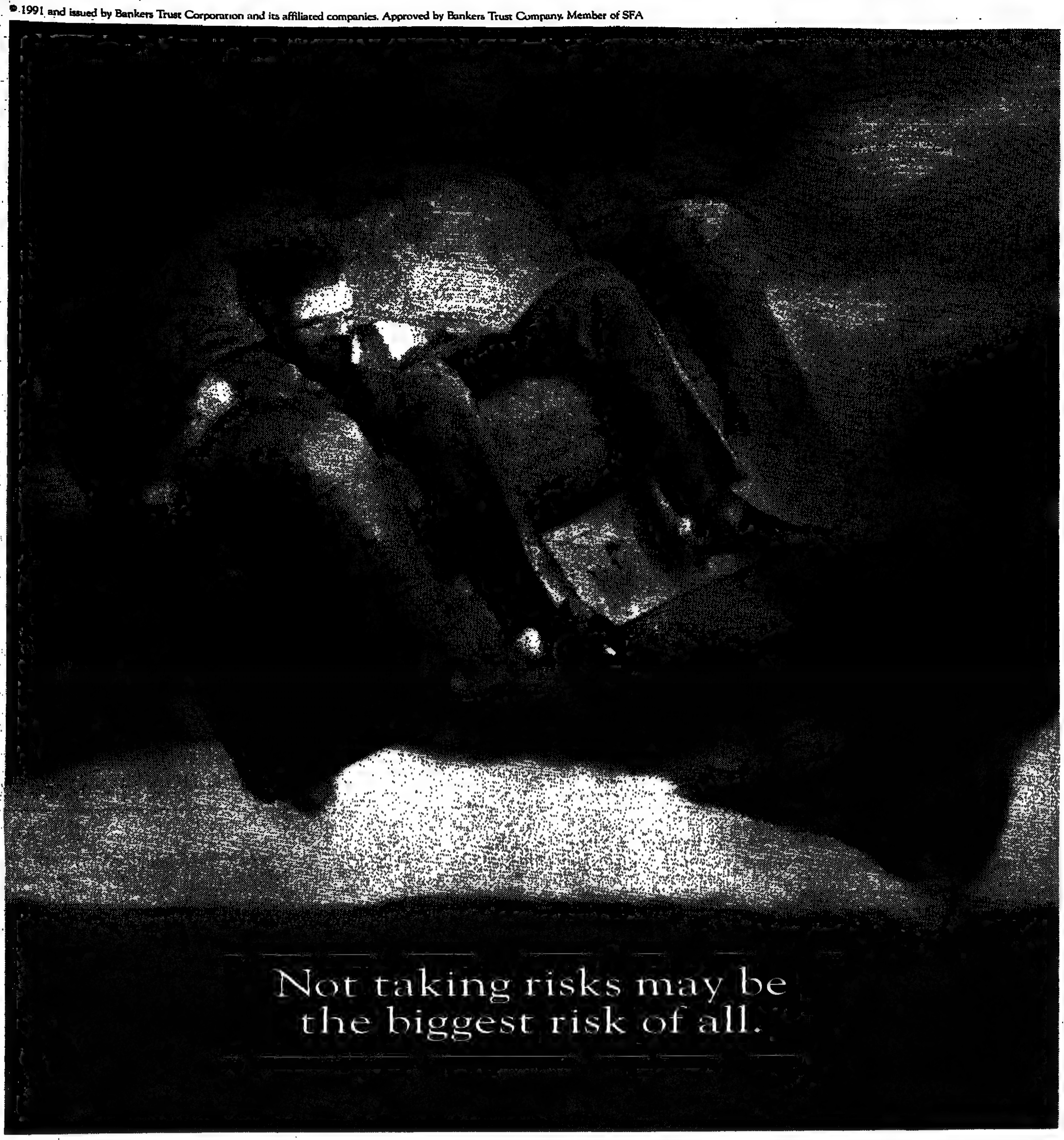
CHRISTIAN Dior, the French luxury goods group, said it expected a rise in revenue and profit this year despite difficult situations in some key markets, especially Japan, AP-DJ reports from Paris.

Sales of perfumes, luggage and other key products of the luxury group are expected to hold up well, Mr Bernard Arnault, chairman, said.

Sales figures in the early months of this year were difficult to assess due to the sharp drop in the luxury business in the first half of last year due to the Gulf war and the economic slowdown, he said.

■ GIB, Belgium's largest retailer, said it planned to invest BFr6.4bn this year in modernisation and expansion, Reuter reports from Brussels. This represents a 30 per cent increase on the previous year.

According to its 1991 annual report, BFr2.9bn ($89m) would be used to renew information technology in its hypermarkets and supermarkets. GIB said last January a large part of this amount will be used to introduce electronic check-outs and scanning.



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LEAD FROM STRENGTH.

Dasa to take stake in Loral venture

By Daniel Green

DASA, the aerospace arm of Daimler-Benz, is paying $57m for a 12¼ per cent stake in Space Systems/Loral, the US commercial satellite manufacturer.

Loral, the defence electronics company and the biggest shareholder in Space Systems, is injecting another $58m into the company to maintain its stake at 51 per cent.

Dasa is joining three other European space industry companies – Alcatel and Aerospatiale of France and Alenia of Italy – which also have stakes in Space Systems. With the arrival of Dasa, each will have 12¼ per cent.

The move by Dasa had been triggered by increasingly tough international competition, Mr Rolf Arnim, Dasa's managing director of communications satellite programme, said yesterday. "The European satellite industry must collaborate, and we have decided to do it with the US."

US satellite builders have repeatedly beaten their European rivals in winning contracts to build civil telecommunications satellites. Hughes Aircraft of Los Angeles is the industry leader with a market share of more than 60 per cent.

Dasa's decision is also the latest step in the consolidation of the European satellite manufacturing industry.

British Aerospace this month halved capacity at its satellite manufacturing plant at Stevenage, north of London. Competitive pressures have also prompted it to enter merger talks with Matra-Marconi, an Anglo-French rival.

Space Systems was established in late 1990 by Loral, Alcatel, Aerospatiale and Alenia. The company got off to an encouraging start by winning a $500m contract for a Japanese satellite programme.

Dasa decided to join them last month and is awaiting US regulatory approval.

"We do not believe this will be a problem because the other three European companies have already been approved," said Mr Arnim. Dasa's stake will be satisfied with the issue of new shares, he said.

Loral, the parent, had sales of $2.9bn in 1991 and profits of $122m. Mr Bernard Schwartz, its chairman and chief executive, said last month that the company wanted to become further involved in non-military markets.

In March, Mr Schwartz visited Europe looking for potential acquisitions and collaborations. In 1990 Loral paid $750m for Ford Aerospace and elbowed its way into the commercial space arena.

Previously Loral had systematically acquired some of the defence activities of leading US "blue chip" companies which had decided to diversify into the military sector and are now refocusing activities on their core operations.

Sears responds to dissidents

By Barbara Durr in Chicago

SEARS, Roebuck, the US retail and financial services company, responded this week to shareholder discontent by making changes to the way the company is governed.

At a special meeting in Chicago, the directors decided to make shareholder voting completely confidential.

They also required directors to hold at least 1,000 shares of Sears common stock and removed the company chairman from the committee that nominates members of the board of directors. The committee will now be entirely composed of outside directors.

The board also lowered the retirement age for directors and trustees of its profit-sharing fund to 70 from 72, but it will allow serving directors to continue their terms until aged 72.

Mr Edward Brennan, chairman, said: "The board has listened to our shareholders and has adopted a series of measures which we believe are both responsive and in the best interest of the company."

Mr Brennan also said the board would elect one or more outside directors during 1992.

However, the measures did not go nearly as far as the shareholder proposals presented last month at the company's contentious annual meeting.

These included proposals that a break-up of the company be considered and that the posts of chairman and chief executive, both now held by Mr Brennan, be separated.

In May, shareholders voted 41.2 per cent in favour of changing the three-year staggered election of directors to an annual election. It was the highest tally of any proposal considered at the meeting.

Mr Robert Monks, a frequent critic of Sears, said the steps were a "nice start", though more remained to be done.

Mr Monks was defeated in an attempt to be elected to the board in 1990, but he hopes the board might choose him as a director this year.

Digital buys UK broadcast technology concern

DIGITAL Equipment, the US computer group, has acquired BASYS Automation Systems from Independent Television News of the UK as part of an "aggressive growth strategy" for the media industry and the broadcast market in particular, Reuter reports from Maynard, Massachusetts.

Terms of the deal were not disclosed.

UK-based BASYS, which employs 160 people worldwide, supplies news automation and management systems in more than 400 broadcast newsrooms worldwide.

Digital and BASYS, which is in the broadcast automation market, will collaborate on such technologies as voice recognition, fibre-optic data distribution interface (FDDI), and Digital's recently announced Intelligent Building products.

FDDI is a standard for fibre-optic local area networks, which transmit data, including graphic images, at very high speed.

BASYS, which will operate as a wholly owned Digital unit, said Digital's investments, especially in open computer systems, will allow BASYS to expand product development efforts in areas such as multi-media workstations and databases, more aggressively.

Digital has been cutting costs and reducing staff in the face of a weakening world economy.

In April it reported a net loss for the third quarter of $294m, or $2.36 a share, compared with net income of $116.5m, or 94 cents, in the corresponding period last year.

Carolco cuts Live shareholding

By Karen Zagor in New York

CAROLCO Pictures has cut its stake in Live Entertainment to a minority holding of 49.9 per cent by selling 360,000 shares in Live to three Carolco investors in yet another complex manoeuvre to keep the troubled, independent Hollywood studio in business.

Carolco said it sold the Live shares, for about $2.19 each, to protect itself from a possible cross-default in its public and private debt.

This follows Live's failure to make the latest interest payment on its 14.5 per cent senior subordinated notes.

As a 53 per cent majority shareholder in Live, Carolco was vulnerable to a possible default by Live, which is a video distribution company.

Earlier this year, the same three Carolco investors – Pioneer LDCA, an affiliate of Tokyo's Pioneer Electronics, Le Studio Canal Plus, a unit of France's Canal Plus, and RCS Video International Services, an affiliate of Italy's Rizzoli Corriere della Sera – agreed to a $73.8m financing package for Carolco in a move to keep the company operating.

Carolco, however, still faces a serious cash shortfall.

In spite of the outstanding success of a number of Carolco films, including the Terminator movies and Basic Instinct, Carolco is still struggling to survive.

The company has been hurt by a combination of factors, including its "open purse" policy of paying generous amounts for box-office stars, such as Arnold Swarzenegger.

Earlier this month, Carolco said it could not draw on a $22.8m line of credit because it had not met certain terms.

In the first quarter, a gain of $4.8m from the purchase of debt helped Carolco reduce its net loss to $4.3m, or 20 cents a share, from $6.3m, or 27 cents, but the company's operating loss grew to $9.2m from $6.3m. Revenues were essentially flat at $136.5m.

Tyson to acquire Arctic Alaska

TYSON Foods, the US fresh foods and poultry group, is to acquire Arctic Alaska Fisheries in a merger deal valued at more than $200m, Reuter reports from Springdale, Arkansas.

Under the terms of the deal, 0.5686 Tyson shares plus $2.23 cash will be exchanged for each Arctic Alaska share.

Arctic Alaska said Tyson would issue about 9.47m Class A shares plus about $27.2m in cash in the deal, which is valued at $212.4m, based on the $18.50 closing price of Tyson shares on June 15.

Arctic Alaska, which earned $16.7m in 1991 on revenues of $225m, operates a fleet of 31 fishing vessels mainly in the 200-mile US exclusive economic zone off Alaska, Oregon and California. Tyson said it expected Arctic Alaska to post 1992 revenues of about $250m.

Arctic Alaska also operates two Seattle-based reprocessing plants as well as shore-based fish processing plants in Oregon, British Columbia and China. It also has an Idaho-based aquaculture enterprise and several joint ventures overseas.

The merger is subject to certain conditions, including approval by two-thirds of Arctic Alaska shareholders and by regulatory authorities.

Both companies' boards have unanimously approved the deal.

● Nabisco Foods Group, a unit of RJR Nabisco Holdings, has agreed to exchange its 32 per cent interest in Grupo Gamesa, Mexico's largest biscuit and cracker company, for five of Gamesa's food and pet food companies and an undisclosed amount of cash, Reuter reports.

The agreement is with PepsiCo's international snack food division, PepsiCo Foods International, Gamesa's other owner. As a result, PepsiCo will own 80 per cent of the rest of Gamesa.

Nabisco will receive Gamesa's pasta, confectionery, dry desert mix, nuts and pet food businesses, plus cash. The agreement returns to Nabisco two of its well-known cracker trademarks, Ritz and Premium.

Sales of the transferred businesses totalled $85m in 1991, about 18 per cent of Gamesa's total sales.

Three-unit structure for Caterpillar collaboration

THE JOINT venture agreed in March by Caterpillar, the US construction equipment group, Mitsubishi Heavy Industries, Japan's largest heavy machinery maker, and Mitsubishi Corp, the country's leading trading house, is to be set up as three separate companies, AP-DJ reports from Peoria, Illinois.

The joint venture companies will be based in the US, the Netherlands and Singapore. Each will begin operating on July 1.

Mitsubishi Caterpillar Forklift America will have its headquarters in Mentor, Ohio, with manufacturing facilities in Houston.

Mitsubishi Caterpillar Forklift Europe will be based in Almere, the Netherlands, and will cover European, African and Middle Eastern markets.

In Singapore, Mitsubishi Caterpillar Forklift Asia will cover Asia and Oceania and maintain a Japanese branch.

Sammi wins Won130bn injection

SOUTH Korean banks are to inject Won130bn ($165.3m) in Sammi Group, the debt-plagued owner of the country's largest speciality steelmaker, Reuter reports from Seoul.

The group had earlier asked its banks to extend Won144bn to rescue it.

The Commercial Bank of Korea, Sammi's primary lender, said the banks had "agreed in principle to bail out Sammi, given its predictable adverse effects on other industries". Sammi said its total debts had snowballed to Won1,780bn at the end of 1991, against total assets of Won2,300bn. Some Won700bn of total was owed by Sammi Steel, its speciality steel subsidiary. Sammi is also engaged in trade, precision machinery, aircraft and car part manufacturing and electronics.

The group's financial position was hurt by rumours last year, denied by the company, that it might be forced to file for bankruptcy protection from creditors.

Analysts blamed Sammi's difficulties on ambitious expansion in the 1980s in anticipation of a recovery in speciality steel which failed to materialise. They identified as pointers to trouble a heavy investment of $260m in three steel companies in North America in 1989 and an injection of some Won300bn on increasing production of speciality steel in South Korea from 1988.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Handelsbanken hit by credit losses

By Robert Taylor in Stockholm

SVENSKA Handelsbanken, Sweden's third largest commercial bank, has reported a 35 per cent fall in operating profits, to SKr664m ($237m) for the first four months of 1992, from SKr1bn a year earlier.

The decline was mainly attributable to a 46.7 per cent jump in credit losses, to SKr1.56bn from SKr1.1bn last time. The credit losses amounted to 1.6 per cent of total lending at the end of April.

The bank's receipts rose 6 per cent to SKr4.01bn, from SKr3.79bn, while earnings per share declined to SKr2.98 from SKr4.57. Return on equity dropped to 7.9 per cent from 12.5 per cent.

The latest results suggest that despite a more prudent and controlled credit policy than other leading Swedish banks, the bank was now also suffering the consequences of lending to property and finance companies in the late 1980s. For 1991, its total credit losses rose to SKr3.2bn, representing 1.1 per cent of loan volume.

Although Handelsbanken remains Sweden's most profitable bank, its rapid fall in operating profits contrasts sharply with its 1990 results, when it earned SKr4.558bn. This was the highest in its history, while at the same time its credit losses were a more modest SKr623m.

The bank's underlying position remains strong, with total assets at the end of April standing at SKr387.98bn, only slightly down from the SKr389.11bn a year before.

Gota offered SKr13.5bn in protection

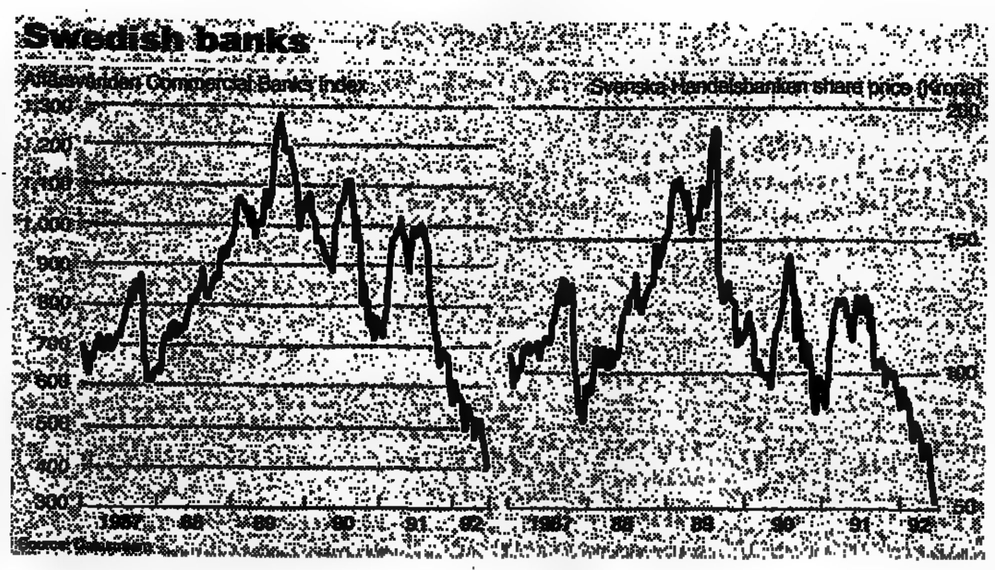
By Robert Taylor

THE SKr13.5bn ($2.4bn) five-year insurance rescue plan designed to protect Sweden's Gota Bank from credit losses and unpaid interest represents a bold attempt to stabilise its position and remove the uncertainties surrounding the group.

The solution stems from an initiative of Gota's main shareholder, Trygg-Hansa, one of Sweden's leading insurance companies, which still intends to incorporate the bank as a subsidiary this year.

An insurance company has been set up to provide cover for Gota. It will be indirectly owned by two triple-A rated European insurance groups, which have not been named; J.P. Morgan; and Trygg-Hansa's holding company, which will provide cover for about 11 per cent of the bank's credit portfolio, with a maximum risk of SKr1bn.

The insurance agreement provides cover of credit losses of up to SKr6bn by 1996, as well as unpaid interest and remission of interest to SKr7.5bn. Mr Gabriel Urwitz, Gota's president and chief executive, said yesterday: "The uncertainty surrounding the magnitude of our credit losses and their effect on Gota's capital base should now be over."



The insurance scheme has already been applied to Gota, helping the group's results for the first four months of the year, for which it incurred operating losses of SKr938m.

Without the insurance plan, it would have made credit losses of SKr1.36bn, or 5.1 per cent of its total loan volume. Instead, credit losses amounted to SKr210m. While Gota paid an insurance premium of SKr1.14bn, it utilised SKr1.15bn to cover its credit losses.

The insurance plan may seem over-cautious for a bank with a risk-weighted capital adequacy ratio of 11.8 per cent, well above the 8 per cent Bank of International Settlements requirement. However, it underlines the determination of Trygg-Hansa to ensure that Gota's troubles are resolved quickly.

Two months ago, Trygg-Hansa bid for all Gota's outstanding shares, giving it a SKr2bn equity injection. That bid still stands.

Mr Bjorn Sprangare, Trygg-Hansa's chief executive, said: "Strengthening Gota's financial stability is important to us. Our intention to incorporate Gota as a wholly-owned subsidiary of our company remains unchanged."

Union Bank of Finland slides to FM317m deficit

UNION Bank of Finland, the country's largest commercial bank, has reported a loss of FM317m ($74.2m) for the first four months of 1992, writes Robert Taylor. The figure compares with a profit of FM144m for the same period of last year.

"Taken as a whole, 1992 will be considerably weaker for the UNitas Group than last year," said Mr Ahti Hirvonen, the chairman. "The anticipated upturn in the economy next year is likely to reverse the trend, but it is still too early to estimate the speed of the change."

The bank blamed the deficit on deep recession in Finland. There was an 181 per cent growth in write-offs on credits and guarantees, to FM419m from FM149m last time. Net income from financing operations dropped 18.4 per cent, to FM645m from FM771m. There was a 14.9 per cent drop in the bank's total income, to FM1.14bn from FM1.34bn. However, the bank retains a healthy capital adequacy ratio of 10.7 per cent.

Mr Hirvonen said the group was continuing to adjust to the situation, with a one-third cut in the number of branches and 20 per cent reduction in personnel.

However, he warned that Finland's high interest rates would have disastrous consequences. "It is a question of a threat to business and economic life generally, which is also reflected in the banks," he said.

Money management funds attract Y2,000bn

By Emiko Terazono in Tokyo

JAPAN'S money management funds – bond and money market investment funds – have attracted Y2,000bn ($15.8bn) since their launch last month. The funds are aimed at the retail investor.

Investors have been attracted by the higher yields of the funds, relative to bank deposits. The sharp inflow of retail money to Japanese brokerages comes at a time when individual investors are mostly shunning stock market investment.

Fee margins on the money management funds are significantly lower than that of stock trading commissions. Brokers hope the funds inflow will lead eventually to investors shifting back into direct stock market investment.

According to the Investment Trust Association, 75 per cent of the collected money was invested in long and short-term government bonds at the end of May.

The minimum purchase price in money management funds is Y1m. Currently the funds yield around 4.7 per cent. This compares with 3.5 per cent in ordinary bank deposits and 3.29 per cent on bank money market deposits.

Banks have become increasingly concerned over the large inflow of money to the broker-instigated money management funds, which look set to head the securities houses' marketing offensive ahead of the summer bonus season.

Brokers also want to give the instrument a settlement function, similar to that of a bank account.

● The Osaka Stock Exchange plans measures to expand disclosure of trading information in stock-index futures and options, AP-DJ reports.

The exchange currently discloses daily results of volume in the front-month Nikkei index futures and three Nikkei options. From Friday it will also disclose daily trading for other futures contracts, plus five options.

Minolta Camera to expand office equipment business

By Robert Thomson in Tokyo

MINOLTA Camera will restructure its US subsidiaries and introduce an early-retirement plan for employees. The move is unusual for a Japanese company and a sign of the severe problems confronting the camera-maker.

Workers are to be transferred from the struggling camera division to the office equipment division, on which the company is counting for a reversal of its fortunes.

In the year to the end of March, Minolta reported a pre-tax loss of Y8.9bn ($70.2m), its first in 26 years. It was forced to write off a further Y16.9bn after agreeing to settle a US patent dispute.

The company said at least 70 of its 2,500 employees in the US would take early retirement. A similar restructuring would be necessary for its European operations.

Traditionally strong in foreign markets, which have been volatile in the past year, Minolta's long-term strategy includes increasing the share of domestic camera sales and expanding its office equipment business.

However, the company was surprised by an industry-wide fall in domestic camera sales, including those of the single-lens reflex, for which it is best known. The market contracted by 9 per cent, while prices for new models fell by as much as 30 per cent.

Meanwhile, Minolta has had difficulty penetrating the crowded domestic office equipment market, where its sales last year fell 5.6 per cent. Encouraged by a 7.3 per cent rise in exports, it is placing more emphasis on foreign sales. This new emphasis is reflected in the transfer of many of its 400 US camera workers to the marketing division for printers, colour copiers and other business equipment. It has found the US office automation market more accessible than the domestic one, characterised by loyalty to suppliers within a corporate family, or *keiretsu*.

Tax setback for SA cable TV operator

By Philip Gawith in Johannesburg

TURNOVER at M-Net, the South African cable television company, was up 50 per cent in the year to March. Pre-tax profits climbed 36 per cent.

Turnover was R640.7m ($228.8), and pre-tax profits R62.8m. Operating profits, meanwhile, were 56 per cent higher at R70m, largely due to a growing subscriber base, up to 695,000 at March 31. The figures represent a a 27 per cent penetration of the colour television market.

Profits were knocked, however, by a huge jump in tax, to R30.1m from R13.6m in 1991 – previous trading losses were fully absorbed in 1991 and there was a favourable abnormal item which did not recurr.

Net profits were unchanged at R32.7m. However, while attributable profits were 18.5 per cent up at R27.8m, profits in 1991 were pulled down by a R9m extraordinary charge.

M-Net, the third-largest subscription television service outside the US, has been a star performer on the Johannesburg Stock Exchange since its listing in August 1990 at R1. Last year it peaked at R8.60, but has since declined to R6.20 a share. This gives it a market capitalisation of about R1.22bn.

Although management sees opportunities for growth in South Africa, it is looking overseas.

M-Net is involved in cable television in Kenya and Namibia, and invested R260m in a consortium to buy FilmNet, a European subscription operation with about 500,000 subscribers in six countries.

CPC buys 80% share of Polish food plant

By Christopher Bobinski in Warsaw

POLAND'S faltering privatisation programme received a much-needed, if modest, shot in the arm yesterday when the European arm of CPC of the US agreed to pay $8.8m for an 80 per cent share in Amino, a dehydrated food producing plant in Poznan.

The deal is the second significant purchase by a foreign company in Poland this year. In April ABB, the Swiss-Swedish engineering group, paid $10.4m for a 51 per cent share of the Elta electrical transformer factory in Lodz.

CPC, which takes labels such as Knorr, Hellman's and Marmite, is commited to investing $17m at Amino over five years with $5m going into modernising the factory in the first 12 months. The balance will be spent on general expansion.

Amino's 700 employees have been promised job security for 18 months. It is Poland's second-largest dehydrated foods producer and its present range of products will be continued, the company says.

Amino made a net profit of 6.3bn zlotys ($461,000) last year on sales worth 191.5bn zlotys. The first five months of this year saw sales grow to 114.4bn zlotys, while net profits slipped to 2.7bn zlotys. Mr Mieczyslaw Garstecki, managing director, said yesterday: "We had enough of a profit to survive, but not enough to expand. This is why we needed the foreign investment".

CPC has a production facility in eastern Germany and a joint venture in Hungary. It hopes output from Amino will serve the domestic Polish market as well as other east and central European countries. The US group is planning to build a sales organisation and establish a catering organisation in Poland to cover hotels, restaurants, hospitals and schools.

● McDonald's is to open today its first Polish restaurant in Warsaw, employing 400 people. It will be followed by five others, two this year and three in 1993.

Spain in largest D-Mark issue by foreign borrower

By Simon London

SPAIN yesterday launched the largest D-Mark bond issue by a foreign borrower, taking advantage of stable conditions in the German market to launch an aggressively-priced DM2bn transaction.

The mandate to lead-manage the floating-rate issue was won by Dresdner Bank following a competitive bidding process. Deutsche Bank and Commerzbank, two giants of the German securities market, took part in the bidding but unusually declined to participate in the deal.

The 10-year notes pay 6.25 basis points less than the six-month London interbank offered rate. A Deutsche Bank official said a margin of 1 or 2 basis points under Libor was needed to sell an issue of this size.

However, six co-lead managers and 25 co-lead managers joined the deal. Although the pricing was seen as aggressive by many participants, syndicate officials noted that paper issued by sovereign borrowers carries a zero risk weighting under bank capital adequacy guidelines – banks to not have to set capital aside against holdings of the bonds.

Liquid, floating-rate bond issues by sovereign borrowers are also bought by central banks as a low-risk method of investing currency reserves. From an issue price of 100.15, the bonds were quoted at par bid by the lead manager.

INTERNATIONAL BONDS

Elsewhere, dollar currencies continued to benefit from uncertainty in Europe over ratification of the Maastricht Treaty. Hydro Quebec, the Canadian utility, officially launched its C$1.2bn, 30-year global bond issue.

The deal, larger than the C$750m transaction expected by many firms, is lead-managed by Merrill Lynch and ScotiaMcleod. The bonds will be priced today to yield 85 to 87 basis points more than Canadian government bonds.

Canadian National Railways launched a $200m five-year deal, increased from C$150m, lead-manged by ScotiaMcleod. The 8¼ per cent bonds were re-offered to investors at a fixed price of 99.525, where the yield is 65 basis points more than Canadian government bonds. This was considered fair by participants in the deal, which reported buying by both retail and institutional investors.

OKB, the Austrian state-backed financial institution, launched a $200m, 10-year deal lead-managed by J.P.Morgan Securities.

The 7¾ per cent paper was re-offered to investors at 99.70, where the bonds yield 26 basis points more than US government paper. The yield was seen as tight by some syndicate officials. However, OKB carries a top triple-A credit rating and is one of the most popular borrowers in the Euromarket. This relatively small deal was easily absorbed.

Toyota Finance Australia, a consumer finance subsidiary of the top-rated Japanese motor manufacturer, launched a A$100m four-year issue lead managed by Hambros.

The paper carries an 8 per cent coupon – the lowest in the history of the Euro Australian dollar market. In the late 1980s, Australian dollar bond issues often carried a coupon of more than 16 per cent.

While little new money is flowing into the Australian currency, retail investors are re-investing the proceeds of maturing bonds. Around A$900m bonds mature in July, and $1.125bn in August. The lead manager quoted the bonds at less 1.5 per cent bid, comfortably inside full fees of 1.75 per cent.

The string of deals in dollar currencies looks likely to continue: a supra-national borrower is thought to be planning a 10-year global bond issue of at least A$300m, although the lack of currency and interest rate swaps opportunities could delay any deal; Japanese borrowers including City of Kobe and Kanzai Airport are considering Eurodollar deals; the Asian Development Bank is still hoping to launch a $500m 10-year issue next week.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
OKB(a)†	200	7⅝	101⅛	2002	2/1.825	J.P.Morgan Secs.
Nacional Financiera(a)†	100	9¾	99⅝	2002	1⅜/⅝	J.P.Morgan Secs.
Juroku Intl.Fin.(a)†	45.7	zero	88.625	1995	1⅜/⅞	Mitsubishi Fin.
Eagle 2(b)‡†	43	(b)	100	1996	1/⅞	Daiwa Europe
CANADIAN DOLLARS						
Hydro Quebec(c)†	1.2bn	(c)	(c)	2022	½	Merrill Lynch Intl.
Canadian Nat.Railway(a)†	200	8.25	101.10	1997	1⅞/1.575	Scotiamcleod
D-MARKS						
Kingdom of Spain(d)‡†	2bn	(d)	100.15	2002	20/10bp	Dresdner Bank
JFM(a)†	100	8¼	102⅛	1999	2¼/1⅜	Deutsche Bank
AUSTRALIAN DOLLARS						
Toyota Fin.Australia(a)†	100	8	101.05	1996	1¾/1⅛	Hambros Bank
YEN						
Communidad De Madrid(e)‡†	15bn	(e)	100.70	2004	-	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Coupon pays 6 month libor plus 110bp. Non-callable. c) Global issue. Coupon and price to be fixed on 17/6/1992. d) Coupon pays 1/16 below 6 mth Libor. Non-callable. e) Coupon pays 50bp below Japanese long term Prime rate. Fees are undisclosed. Call and put options on or after 7/7/1997 at par.

Investment managers given access to Swift but may snub system

By Richard Waters

INVESTMENT managers have finally been allowed into Swift, the bank-owned international messaging system – but many say they no longer want to join.

The decision to give investment managers access to the worldwide telecommunications network of Swift was taken last week, when banks voted by a majority of 95 per cent to make the change. Access to Swift will make it possible for investors to confirm details of securities transactions direct with their custodians using a standardised electronic format – potentially reducing costs and settlement errors.

A public row erupted over the issue a year ago, when banks voted by a narrow margin to keep investment managers out of the network.

At least three banks with considerable weight in Swift – Barclays, Chase Manhattan and Citibank – had voted against letting in investment managers last year. All three changed their stance last week.

Investment managers claim that the banks kept them out of Swift before to force them to continue using individual banks' own in-house communications systems. The banks, however, counter that Swift already had too much on its plate and was not in a position to accept investment managers a year ago.

In recent months, a group of international investment institutions has banded together to sponsor its own electronic trade confirmation system – effectively making membership of Swift less necessary. The banks' change of heart is seen in some quarters as a belated attempt to encourage institutions not to develop this system.

"The decision has come too late," said Mr David Batten of SG Warburg, which handles the settlement for Mercury Asset Management. "They [institutions] appear to have found a cheaper way of doing it."

Many institutions regard the development of electronic trade confirmation as a more important development than linking to Swift, and so will concentrate their efforts in that direction. "Our resources are finite. We have to decide which will give us the quicker pay-back," said Mr Andrew Palmer, director of finance and operations at Legal & General, the UK insurer.

The cost of joining Swift, at BFr1.3m, is also likely to put off all but the biggest investment institutions.

With communications links and message formats becoming increasingly standardised, it is becoming technically easier for investors to use a wider range of bank custodians to handle their securities transactions, or to switch between custodians more frequently.

However, banks maintain that this standardisation will not undermine their competitive position. Investment managers are increasingly turning to a single global custodian.

HK to allow full listings for Chinese units

THE Hong Kong Stock Exchange is to allow companies incorporated in China to obtain full, primary listing status, AP-DJ reports from Hong Kong.

Mr Paul Chow, exchange chief executive, did not provide a timetable for the move. Although some minor, unidentified "accommodations" may be necessary before Chinese companies could list, he said they would provide investors the same level of protection as do shares in Hong Kong companies.

Mr Chow ruled out the establishment of a special listing board set aside for Chinese companies or the creation of a secondary type status.

A research paper produced by the exchange recently set out other possibilities for Chinese companies to gain access to the Hong Kong market other than direct listings. These suggestions have apparently been shelved.

Treasuries buoyed by positive inflation comments

By Patrick Harverson in New York and Sara Webb in London

POSITIVE comments on inflation from Mr Alan Greenspan, the Federal Reserve chairman, and news of lower store sales helped Treasury prices recover from early losses yesterday.

In late trading the benchmark 30-year government bond

GOVERNMENT BONDS

was up ¼ at 101⅛, yielding 7.832 per cent. The two-year note was also higher, up 1/16 at 100¼, yielding 4.971 per cent.

The market weakened early on after government data showed an 11 per cent rise in housing starts last month, the largest monthly rise since February 1991. Later in the morning, however, prices moved into positive territory on Mr Greenspan's written testimony to a Congressional committee. He told the committee that the economy was "poised to make further advances" in trimming inflation.

The market was also helped by news of a 0.6 per cent rise in May industrial production, a figure in line with expectations, and a report from the Johnson Redbook Service that department and chain store sales fell 4.5 per cent during the first two weeks in June.

■ UK government bonds shrugged off funding worries and ended the day over one-eighth of a point higher at the long end, on healthy buying interest and better-than-expected Public Sector Borrowing Requirement figures.

The PSBR amounted to £3.134bn in May, compared with £2.464bn in the previous month. The figure was well below many City forecasters' expectations, some of whom had predicted a PSBR of £4bn.

The gilt-edged market has suffered recently due to the combination of funding worries and uncertainty about the prospects of European economic and monetary union in the wake of Denmark's vote against ratification of the Maastricht Treaty.

The Bank of England announced yesterday afternoon it would auction £2.75bn of the 9 per cent gilt due 2012 on June 24. The news led to a slight fall in gilt prices initially as dealers said the auction was larger than expected. The issue will be partly-paid with 35p payable on July 20 and 30p on August 25. The existing issue is about £1.5bn in size.

Despite the larger-than-expected auction size, the market later picked up and the benchmark 11¾ per cent gilt due 2003/07 traded up to 116⅛, from its opening level of 115¾.

■ DANISH government bonds dropped about half a point yesterday after the 9 per cent government bond due 2003 was sold yesterday well below the level at which it was already trading.

Traders estimated about DKr4bn of the 8 per cent bond, due 2003, was sold yesterday after the price was announced. Many complained about the bank's decision to undercut the market price, prompting a fall in Danish bond prices. The yield spread over the 9 per cent German bond due 2000 widened from 108 basis points to 116 basis points.

German government bonds traded narrowly, ending the day slightly higher. The Liffe bund future contract traded between 88.02 and 88.16.

■ HOPES of a cut in short-term interest rates nudged Japanese government bond prices slightly higher yesterday. Most of the activity concentrated on short and medium-dated issues, while long-dated bonds ended the day little changed, leading to a slight steepening in the yield curve. The benchmark No 129 closed with a yield of 5.48 per cent, against its opening level of 5.47 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.5189	-0.637	8.87	8.96	9.23
BELGIUM		9.000	05/01	103.4000	-0.050	8.43	8.88	8.63
CANADA *		8.500	04/02	102.6800	+0.3500	8.10	8.34	8.50
DENMARK		9.000	11/00	99.2500	-0.500	9.11	8.93	8.79
FRANCE	BTAN	8.500	03/97	98.1651	+0.185	8.97	8.93	8.76
	OAT	8.500	11/02	98.0600	+0.270	8.77	8.74	8.56
GERMANY		8.000	01/02	100.2600	+0.030	7.96	7.90	8.01
ITALY		12.000	05/02	94.2600	+0.370	13.269	13.16	12.87
JAPAN	No 119	4.800	06/99	95.5144	+0.146	5.69	5.75	5.77
	No 129	6.400	03/00	105.0384	-0.001	5.47	5.51	5.53
NETHERLANDS		8.250	02/02	99.7200	+0.050	8.26	8.29	8.32
SPAIN		11.300	01/02	97.6500	-0.175	11.66	11.49	10.82
UK GILTS		10.000	11/96	102.8438	+0.063	9.16	9.25	9.19
		9.750	08/02	103.3003	+0.125	9.13	9.18	9.06
		9.000	10/08	99.7500	+0.375	9.03	9.03	8.94
US TREASURY *		7.500	05/02	101.27	+0.3125	7.28	7.33	7.28
		8.000	11/21	101.29	+0.2500	7.83	7.83	7.81
ECU (French Govt)		8.500	03/02	98.7000	+0.480	9.01	8.97	8.62

London closing, *denotes New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

ISDA adopts agreement

A NEW master agreement, intended to simplify dealing in a range of derivative instruments, has been adopted by the International Swap Dealers Association, writes Richard Waters.

The agreement covers a wider range of derivatives than was included in the previous version, introduced in 1987. By bringing more instruments under a single agreement, it is possible for financial institutions to net off their risks in different products against each other, reducing their overall credit exposure.

ISDA said that "hundreds of participants from Europe, Japan and the US" had been involved in developing the new master agreement. The 1987 version and agreements based on it are currently used in about 90 per cent of all over-the-counter derivative deals, ISDA said.

LEGAL NOTICES

ADMD SYSTEMS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above named company will be held ... [illegible]

DALERIVER LIMITED

[illegible]

In The Matter of CITYSIDE FINANCE LIMITED

[illegible]

Notice of appointment of Liquidator Voluntary Winding Up — PRIVILEGE PROMOTIONS (N.I.) LIMITED

[illegible]

CERTAIN LIMITED

[illegible]

CLARKE CONTRACTS LIMITED

[illegible]

PRIVILEGE STAMP COMPANY LIMITED

[illegible]

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MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

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[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	8	38
Other Fixed Interest	4	1	12
Commercial, Industrial	280	276	885
Financial & Property	143	97	555
Oil & Gas	15	18	53
Plantations	0	1	8
Mines	27	31	95
Others	48	28	57
Totals	552	460	1,703

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

June 16 Total Contracts 24,396
Calls 12,193 Puts 12,203
FT-SE Index Calls 3,590 Puts 7,315
Euro FT-SE Calls 744 Puts 579
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings June 8
- Last Dealings June 19
- Last Declarations Sept. 3
- For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in BPB Inds., Cabra Estates, Costain, Expl. Co Louisiana, Lonrho, Oceonics, Rosehaugh, Stakis, Tarmac, Wates City of London Props. and Wilshaw. Puts in Euro Disney and Tiphook. Puts and calls in Burton, Fisons and Maxwell.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p
Allied-Lyons	49
Amstrad	6
Astec (BSR)	3
BAT Inds	56
BOC	58
BTR	36
Barclays	29
Blue Circle	24
Boots	34
Bowater	60
Brit Aerospace	26
British Steel	7
Brit Telecom	25
Cadburys	36
Charter Cons.	37
Comm Union	34
Courtaulds	45
Eurotunnel	[illegible]
FKI	6
FNFC	7
Forte	19
GKN	50
Gen Accident	36
GEC	17
Glaxo	[illegible]
Grand Met	38
GRE	15
Hanson	16
ICI	95
Ladbroke	16
Legal & Gen	29
Lex Service	22
Lloyds Bank	32
Lonhro	[illegible]
Lucas Inds	12½
Marks Spencer	27
Midland Bank	30
NatWest Bank	26
P & O Dfd	37
Racal Elect	8½
RHM	16
Rank Org	55
Ratners	3
Reed Intl	44
Sears	8½
SmKl Schm A	60
TI	55
TSB	11½
Tesco	22
Thorn EMI	63
T & N	11½
Unilever	70
Vickers	16
Wellcome	75
PROPERTY	
Brit Land	18
Land Sec.	30
MEPC	26
Mountleigh	1½
OILS	
Aviva Pet	25
BP	18
Burmah Castrol	48
Conroy Pet	6½
Gaelic Res	½
Premier Cons	2¾
Shell	35
Tuskar Res	½
MINES	
RTZ	47

National Power advances 18%

By Juliet Sychrava

NATIONAL POWER, the electricity generator, yesterday reported pre-tax profits up 18 per cent to £514m for the year to March 31 1992, the first full year since it was privatised.

Earnings per share increased by 22 per cent to 28.63p (23.54p), and the dividend goes up 10 per cent to 9.1p.

Mr John Baker, chief executive, said the results showed the company was competing successfully in the new privatised electricity market.

"Profits are beginning to reflect the major restructuring we are undergoing," he said.

The company's performance was achieved against the background of a 0.2 per cent growth in the electricity market.

Its unit sales fell by 3.9 per cent, and it lost market share to rival generator, Nuclear Electric.

A sharp rise in electricity prices accounted for a 7.4 per cent increase in turnover to £4.7bn. Prices in the pool or wholesale market rose by nearly 25 per cent, while income from direct sales to customers rose by 30 per cent.

Although costs rose by just over 5 per cent overall, fuel costs fell as the company used up old cheaply-priced coal stocks.

It also saved about £150m after shedding 21 per cent of its workforce, or 3,000 jobs, as part of a programme announced after privatisation. These manpower savings boosted productivity by 13 per cent.

Improved turnover and cost savings together gave a 23 per cent increase in operating profits.

Good cash flow financed nearly £500m of capital expenditure, 22 per cent more than in the previous year. This was mainly spent on reducing emissions, and building new gas stations.

Borrowings at the year end fell by 5 per cent, although the average for the year was higher, giving an interest charge of £11m against net interest income of £7m the year before.

The outlook for the coming year was still uncertain, National Power said, because it has not yet agreed a deal with British Coal, its main fuel supplier, or the regional companies, its main customers.

The electricity market would improve only slightly, Mr Baker said. That meant National Power had to rely on cost-cutting and lower fuel prices to provide short-term growth.

In the longer term, its strategy is to expand overseas, and Mr Baker said he hoped to invest £1bn in international generation ventures by the end of the decade.

City analysts expect a pre-tax profit of between £550m and £590m next year, giving earnings of between 31.5p and 34.5p per share, and a dividend of 10p to 10.2p.

Norweb almost doubles to £137.9m

NORWEB, the Manchester-based regional electricity company, yesterday announced pre-tax profits up by 96 per cent to £137.9m for the year to March 31 1992, writes Juliet Sychrava.

Earnings per share rose sharply from 24.5p to 51p and the dividend is increased by 13.2 per cent to 17.7p.

"This year's results demonstrate that high quality customer service and profits can, and must, go hand in hand," said Mr Ken Harvey, Norweb's chairman who noted that the company's had disconnected fewer customers than ever before.

The main reason for the leap in Norweb's profits was higher electricity prices. Like all 12 regional companies, Norweb increased prices sharply in April 1991 to recoup losses from undercharging the previous year.

Norweb's 9.9 per cent price increase was one of the lowest in the industry, but the company's profit rise will be one of the highest.

This is because exceptional items totalling some £30m also depressed profits last year. These related to bad debts relating to its retail business, as well as an accelerated depreciation charge.

If these items and the effect of recovering losses from the previous year were excluded, Norweb said, the underlying profit growth would be only 20 per cent.

The main underlying growth came in the core distribution business, where operating profit rose by nearly 75 per cent. But the retail business also made a strong improvement, with an £8.3m profit compared with a loss of £7.5m the previous year.

The low margin electricity supply business, which buys and sells bulk electricity, made £11.9m against £11.8m previously. The contracting business incurred losses.

Underlying growth was partly due to a 1.4 per cent increase in sales, mainly to commercial customers.

The company also recovered about half of the big customers it lost when privatisation meant the regional companies had to compete to keep local customers.

Costs were carefully controlled, Norweb said. Some 280 jobs were cut over the year, leaving a workforce of 7,387, and controllable costs fell 1 per cent in real terms.

Gearing fell from 33.2 per cent to 22.1 per cent, and capital expenditure was down £8.5m to £86.2m.

Analysts forecast pre-tax profits for the year ending March 1993 of between £145m and £155m, giving earnings per share of 55p to 64p. Dividend forecasts range between 19.5p and 20p.

● COMMENT

Norweb's quietly tenacious emphasis on marketing and retailing should perhaps have won it more Brownie points from the City, which has historically favoured nearby Yorkshire's more forceful style.

Norweb should at least get points for doing what it promised with the retail business, which now has an £8.3m profit at a time when most companies' retail businesses are only just breaking even.

If the company can now fulfil its promise to turn retail into a £300m business contributing nearly 20 per cent of profits in 1996, then it will have what many regional companies so far do not – a good non-core business for the future and something to spend its cash on.

This promise might temper investors' reservations about the company's rather cautious dividend policy – like East Midlands yesterday it suggested this year's increase was a not-to-be-repeated windfall.

SmithKline strengthens its position in vaccines

By Paul Abrahams

SMITHKLINE Beecham, the Anglo-American pharmaceuticals group, has completed two deals aimed at positioning itself as a significant force in the world vaccine market. The agreements mean it is now the second largest in the market after Merck of the US.

The first deal, with the State of Michigan's department of public health, gives SB exclusive rights to distribute the department's vaccines in the US outside Michigan. The products are for diphtheria, tetanus, whole-cell pertussis and rabies. The two organisations will also jointly research and develop other paediatric vaccines for US distribution.

The second deal with Pasteur Mérieux Serum et Vaccins and Connaught Laboratories, both subsidiaries of Institut Mérieux, gives SB the US marketing rights for an influenza vaccine designed for children. The product is awaiting approval from the US Food and Drug Administration. SB refused to give financial details of either agreement.

It said the deals meant all the elements were in place to provide a full range of childhood vaccines. The group had vaccine sales of £140m last year, according to Mr Jonathan de Pass, an analyst at Barclays de Zoete Wedd. He said the deals in themselves were not particularly big, but indicated SB's strategy.

Vaccines have become an increasingly important market as companies have used biotechnology to create patentable products for which they can charge a premium.

Dutch cockle restrictions leave Hazlewood Foods flat

By Maggie Urry

PRE-TAX profits at Hazlewood Foods were flat at £51.3m, against £51.2m, in the year to end March, as restrictions on Dutch cockle fishing and a decision to sacrifice margins to boost sales volume offset gains from the acquisition of Sutherland last summer.

The shares rose 3p to close at 150p.

Mr Peter Barr, chairman, described the year as one of consolidation and predicted that the group was "now poised for a period of steady earnings growth". The 30 UK businesses had been grouped into seven trading areas, and a similar plan had been written for the continental European subsidiaries.

Group sales rose 17 per cent to £632.4m, although Mr John Simons, finance director, said the underlying gain was 8 per cent, of which 2-3 percentage points were from price increases and the rest volume growth. Operating profits rose 4.5 per cent to £60.2m, with margins down from 10.6 to 9.5 per cent.

Sutherland, acquired for £36.7m in shares, was included for seven months and contributed profits of £3.5m, after financing costs. Its £16.8m of debt meant group borrowings rose to £109.7m (£81.9m), adding 10 percentage points to gearing at 69 per cent. The group more than covered its capital investment of £27.9m from internal cash flow.

Interest charges rose from £6.3m to £8.9m, with cover down from 9.1 to 6.7 times. A reduced tax rate of 27.7 per cent (28.5 per cent) but higher minorities of £577,000 (£447,000) left earnings per share down 4 per cent to 16.42p (17.13p).

A final dividend of 3.9p is proposed to give a total of 6.1p (5.8p).

Tony Andrews

Peter Barr: poised for growth after year of consolidation

Mr Simons said the restriction on cockle fishing in Dutch waters cost the group about £3m, of which £2.3m fell in the second half. The impact of lower margins in the meat, produce and fish businesses knocked £3.4m from profits.

Operating profits from grocery fell from £13m to £10.9m, but ready meals profits were up to £11.8m (£10.1m) and convenience foods, which includes most of Sutherland, from £1.5m to £5.8m. Profits from fish fell to £4.5m (£5.4m) and from shellfish to £7.8m (£10.6m). Produce profits rose to £4.8m (£3.2m) and non-food profits were up from £3m to £4.6m.

● COMMENT

Hazlewood was one of the highly acquisitive companies of the 1980s and has long needed the more coherent structure which is now beginning to take shape. That said, the group must prove itself as a quality growth stock, which will take rather longer. It is some 4 to 5 years behind Northern Foods, the company it considered bidding for in 1988. Not surprising, then, that its rating is well below its erstwhile target. However, a prospective p/e, on forecasts of £55m or so, of under 9 is discounting too much.

Lep pension fund has £900,000 shortfall after property deal

By Roland Rudd

THE PENSION fund of Lep Group is showing a £900,000 shortfall following a property deal last year with the freight-forwarding and security company.

Trustees of Lep Group's pension fund have written to members telling them of the shortfall.

They have calculated that if the pension fund and group had been wound up in January benefits for present employees were only 88 per cent covered. Transfers out of the pension fund by former employees have been suspended.

Last June the trustee company agreed to pay £12.4m for Coombe Hill House, just as Lep's problems began to emerge when off-balance sheet property finance came on balance sheet and the company's debt rose to more than £400m.

Profits collapsed and a standstill agreement was signed with its banks.

Coombe Hill House has now been valued at only £8.5m. Lep blames the continued weak property market.

The deal represented a high proportion of the pension fund's £28m of assets at a time when self investment has been criticised in the pension industry.

Mr Paul Baines, director of Charterhouse, Lep's financial adviser, said: "I am sure that this was not the first case of a pension fund buying assets from the company."

Lep had also agreed to increase its contribution significantly in order to eliminate the shortfall within two to three years.

The group was now proposing that £180m of its £530m debts should be converted to equity. Details of the conversion have yet to be fixed, although the banks were likely to end up with a substantial portion of Lep's shares.

Mr Baines said he hoped the reconstruction would be in place by next month.

Volex at £3.7m as it repositions

By Peter Pearse

VOLEX, the specialist wiring and connection systems company, reported pre-tax profits down from £4.16m to £3.68m for the year to March 31, a period of "strategic repositioning of the group's products and its markets".

In July it sold the loss-making Volex Accessories division to Hanson for an initial £8.8m. In January it gained access to both the data cable assemblies business and the US market with the acquisition of Cable Products for an initial £8.1m and maximum £14.6m. Mr Howard Poulson, chief executive, said he was pleased with Cable's results so far.

The group also decided to change the emphasis of Volex Wiring Systems, the wiring harness company, over the next two years away from the high volume car production market and towards the higher margin markets of the commercial, agricultural and specialist vehicle industries.

The company started production on a contract for John Deere, and Mr Poulson hoped this would be a "foothold" with the US tractors group.

Buoyed by a rise in exports to 40 per cent of sales, Pencon emerged as the group's best performer. It also received a fillip from the government's decision to introduce safety legislation to make compulsory in the UK the fitting of plugs, and moulded plugs where appropriate, to electrical appliances.

Over the year Volex turned borrowings of £5m into cash of £6.5m and Mr Poulson said he was looking to expand the Cable Products side with an acquisition on the west coast of the US, and to expand Pencon. Group exports have grown from 15 per cent two years ago to 30 per cent now.

Turnover fell 16 per cent to £81.6m (£97.3m) and operating profits were down by a little less than £1m to £3.77m. However this was boosted by investment income of £443,000 and lower interest charges of £131,000 (£477,000).

An extraordinary charge of £5.53m related to provisions for the withdrawal from the car sector. Earnings dropped to 14.9p (17.9p) and the final dividend is maintained at 10.5p for an unchanged total of 17p.

Cost controls help LPA hold profits at £0.31m

By Peter Pearse

Tight cost controls enabled LPA Industries, the USM-quoted industrial electrical connectors and accessories group, to hold pre-tax profits at £310,000 for the six months to March 31.

Turnover was down 7.7 per cent at £3.18m (£3.44m) and operating profits slipped by 2.3 per cent to £335,000.

Mr Michael Rusch, chief executive, said that strict control on borrowings – the company is negligibly geared – pressure on debtors and increasing concentration on exports all helped counteract the "severe trading conditions" and produce a "most satisfactory" result.

Mr Rusch said that customers' big projects were still few and far between, especially in railway engineering.

The interim dividend is held at 1.65p and is payable from earnings of 2.41p (2.31p) per share.

Taunton Cider to join market with £150m tag

By Philip Rawstorne

TAUNTON CIDER, the UK's second largest cider maker, is expected to raise between £75m and £85m from its planned stock market flotation later this month.

The company, acquired by its management last year for £72.5m from a consortium of brewers including Bass, Courage, and Scottish & Newcastle, will have a market capitalisation of about £150m.

Directors and more than 500 employees, who invested a total of £650,000 in the management buy-out backed by Samuel Montagu and Morgan Grenfell Development Capital, will emerge with a 10 per cent stake – worth about £15m – in the company. The original lending institutions will hold about 50 per cent of the enlarged share capital.

The share offer will be split equally between the public and a placing with institutional investors. The offer price will be announced on July 7.

About £70m raised by the issue of new shares will be used to pay off bank and other borrowings, reducing the company's debt to about £10m or less than 50 per cent of shareholders' funds. The sale of shares by existing shareholders is expected to amount to about £10m.

Mr Peter Adams, chief executive, who led the management buy-out, said yesterday that the increased financial flexibility provided by the flotation would enable Taunton to take advantage of further opportunities for growth.

Results for the year since the buy-out, published in the pathfinder prospectus yesterday, showed a 34 per cent increase in operating profits to £16.7m (£12.5m) on turnover 11 per cent ahead at £105.3m. *Operating margins rose from 13.1 per cent to 15.9 per cent.* Pre-tax profits fell from £10.3m to £7.4m, reflecting interest charges of £9.6m on the buy-out debt.

Taunton claims a 33 per cent volume share of the UK cider market compared to the 45 per cent of HP Bulmer, the market leader.

Heavy advertising by the two companies, which has given cider a more contemporary image, helped to maintain overall market growth last year to 76.8m gallons, worth nearly £600m, while sales of beer and spirits declined. Though the cider market has more than doubled in volume in the past 20 years, sales still represent less than 6 per cent of beer sales.

Taunton's growth took off in the late 1960s and early 1970s with increased distribution through Courage and Bass pubs and the launch of Dry Blackthorn, *its mainstream brand* and number two to Bulmer's Strongbow, which now accounts for 35 per cent of the company's sales.

In recent years, Taunton has had a successful record of new product development, particularly in the higher-margin, premium sector, which is now dominated by its Diamond White brand.

Red Rock, launched in 1989, has been targeted on lager drinkers; and its most recent brand, Brody, launched nationally last month has already achieved significant distribution.

Mr Adams said yesterday that the programme of new product development would continue with the introduction of brands to meet varying consumer tastes and to capitalise on trends in the drinks market.

Peter Adams: capitalising on trends in the drinks market

Growth through a window in the market

Richard Gourlay looks at why Anglian Group can be floated with a £200m valuation

MR WILLIAM Hancock, chief executive of Anglian Group, must be heading one of the most successful of recent management buy-outs.

Just 18 months after buying the Norwich-based double-glazing company for £84.5m from BET, the business services group, Mr Hancock and his seven-man buy-out team are floating Anglian with a market valuation of about £200m.

To say the least, Mr Hancock's team has greatly benefited from the misfortunes at BET where new management is trimming back on the excesses of a late 1980's acquisition binge.

Not only did the buy-out team obtain a company that was already cash generative and profitable, but just before BET's financial year-end in March, Anglian was also able to make an early repayment of a £30m loan note which BET *provided to help finance the buy-out.*

By repaying early, Anglian is able to avoid paying BET a considerably greater deferred consideration on flotation.

Anglian's first year results after the buy-out produced operating profits of £15.5m, broadly in line with projections made to BET.

It was during the next year, and despite the recession, that the MBO team made profits sing and laid the basis for shareholders to seek an earlier than expected exit through the flotation.

After increasing prices by 7.5 per cent in February 1991 and cutting costs, operating profits for the year to March 1992 jumped to £23m on turnover almost unchanged at £145.6m.

Net cash from operations jumped 19 per cent to £26.7m and operating margins were nearly 50 per cent higher at 15.8 per cent.

According to Mr Hancock, current trading is "at least as good as last year" despite no real sign of any economic upturn.

"In the short term we may have to continue the same discounting policy but with new products in September we will not be so reliant on discounting policy," he says.

"We expect to make 15.8 per cent margins with the same discounting policy."

While the company has been forced to discount, it has remained remarkably unscathed by slow consumer spending. Before recession hit – and indeed before BET sold – the company cut 180 jobs in its manufacturing plants in Norwich and closed some of the branches through which it supports and co-ordinates its self-employed sales and installation teams.

Anglian has also had little exposure to the new building market. Almost 75 per cent of sales are replacement windows and doors made from rigid PVC-U, a product Anglian successfully introduced to the UK market 12 years ago.

From this base Anglian has more recently moved into conservatories and is breaking into the new build market and sales to commercial and local council buildings.

Despite this vertical integration, Anglian has only managed to carve a 7 per cent to 8 per cent share of the replacement window market. The fact that this is enough to make it market leader ahead of Bowater Windows and Everest is testimony not only to the market's fragmentation but also to the degree to which the company can be growth through increases in market share in the absence of economic recovery, Mr Hancock says.

There is also growth potential geographically by spreading branches through the Midlands, the north of England and Scotland and through expansion over the longer term in France.

The flotation itself is relatively straight forward, involving a placement of half the shares on offer, by NM Rothschild, and a public offering of the other half.

● About half the company is to be sold. The company will raise approximately £56.3m net from a placement and public offering that will be priced on June 29.

The providers of the venture capital, led by Legal & General Ventures, will sell a portion of their stake, raising a further £40m.

As a result the MBO team will be left with about 8 per cent of the enlarged capital, the workforce will have about 4 per cent and existing shareholders will keep about 40 per cent.

● The proceeds will be used to redeem £23.6m of preference shares and the £30m debt that replaced the loan note from BET and BET will receive a £1.5m deferred consideration.

As a result, Anglian will add about £1.4m to cash balances which on a pro-forma basis stood at about £10m in March.

At the very least the company's profits will benefit from not having to pay £5.7m of interest as it did last year.

● Pricing will be decided a week ahead of the closing date for public applications on July 7.

It will be the subject of intense discussion with brokers and is a relatively difficult decision as there are few comparable quoted companies on which Anglian's rating can be based.

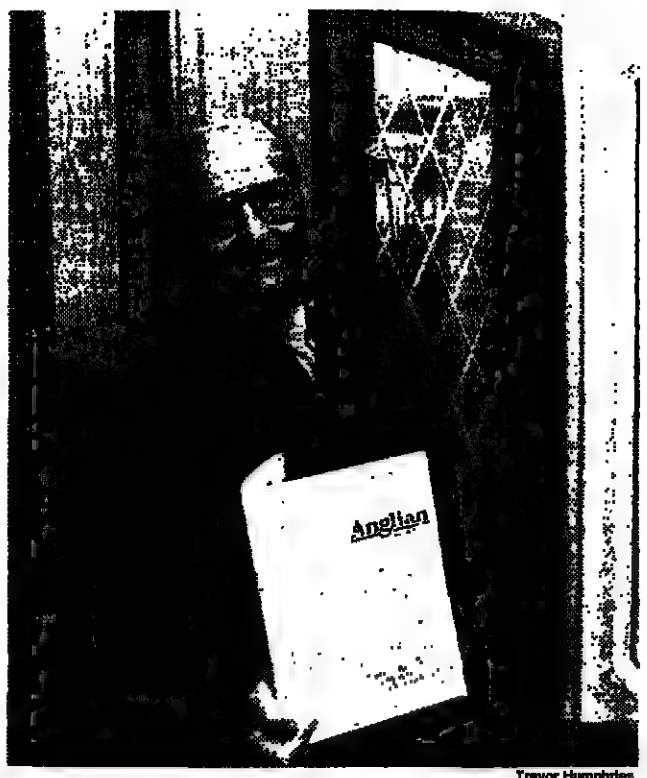
The company operates in an industry known to bring either feast or famine and in which there have been some notable failures.

On the other hand, it has to some degree suffered at the hands of salesmen from competing double glazing companies who have spent the last three years undermining Anglian by telling potential customers that the company is either up for sale or so heavily leveraged that it is unreliable.

Once shareholders have backed the company with £200m of equity, this is a slur they will no longer be able to deploy.

The company's advisers would like Anglian to be rated alongside other building materials companies.

If that were the case, Anglian could float at a price between 240p and 280p and would carry an earnings multiple in the mid teens and still be at a small discount to the sector.



Trevor Humphries

William Hancock: made the buy-out 18 months ago

US side boosts Erskine House

By Peggy Hollinger

STRONG growth in the US helped Erskine House, the office equipment services company, to announce a 5 per cent advance in pre-tax profits to £12.7m for last year.

Mr Brian McGillivray, the chairman who transformed Erskine through a heady programme of acquisitions in the 1980s, said the company had benefited from cost-cutting in the US and £1.4m decrease group interest charges to £3.7m.

The savings offset a 6 per cent decline in group sales to £178.9m for the year to March 31.

Mr McGillivray said Erskine was seeing a slight improvement in the US after the severely depressed conditions of 1991. "We are a little more happy," he said.

The US contributed pre-tax profits of £7.2m (£4.9m).

The UK remained difficult, and Mr McGillivray held out little hope for a significant improvement in the current year.

Machine sales in the UK had been "disappointingly low" and margins depressed by price-cutting. Furthermore, adverse publicity surrounding the leasing industry had cost Erskine between £750,000 and £1m in operating profits last year.

Servicing income rose slightly during the year, but UK pre-tax profits still fell almost 19 per cent to £5.1m. Erskine sold its laser printer business for £4.7m, which accounted for £800,000 in operating profits in 1991.

Germany suffered a 58 per cent decline in pre-tax profits to £371,000.

Debt fell from £41.3m to £36.3m, representing 50 per cent of shareholders' funds.

The dividend was maintained at 4.35p, for a total of 6.65p. Earnings per share were depressed from 14.5p to 11.7p by a higher tax charge.

● COMMENT

Erskine House may be finding its way back into City affections. The results appear to show that the same management, accused of going too far too fast on the acquisition trail in the 1980s, can steer the company through a tough recession. Points in favour include the long-term nature of debt, and the steady servicing income in most markets. Erskine is also unlikely to tread on toes with any big acquisitions in the next year or two. This said, the debt obligations and late cycle nature of copier leasing means Erskine will not show immediate dazzling growth. Forecasts for 1993 range from same again to about £14.5m. On yesterday's close of 86p, the prospective p/e looks almost too low at about 6 or 7 times. Shares are further supported by a healthy yield of more than 10 per cent.

Gieves plans to raise £3.9m

By Nigel Clark

GIEVES GROUP is selling its Bookpoint book distributor for £1.4m cash to Headline Book Publishing and raising £2.5m through a placing of convertible secured loan stock.

The group, which has interests in clothing, retailing and publishing and includes Gieves & Hawkes the Savile Row tailor, reported pre-tax losses of £1.51m (£428,000)in the year to January 31, after exceptional charges of £1.71m and taking into account discontinued activities.

The sale and placing are part of Gieves strategy of focusing on its core businesses. Roundabout, the motor distributor, has been sold to its management and Redwood Press to the Bath Press Group.

Headline is Bookpoint's largest customer, accounting for 27 per cent of sales. Trading profits for the year to end-January were £441,000, against £280,000 on turnover of £3.97m.

The consideration was satisfied by the issue of 700,000 shares which have been conditionally placed. Headline is placing a further 100,000 shares to cover acquisition expenses. Its shares fell 3p to 205p.

The convertible loan stock has been placed with a wholly-owned subsidiary of USI Holdings, a Hong Kong-quoted company which is controlled by Wing Tai, the Singapore clothing company.

The loan is redeemable at par on July 31 2000. USI can convert into shares at its option at any time up to three months before the redemption date at a rate of 2 shares for every £1 of loan stock.

Full conversion would give USI a holding of 26.8 per cent. Wing Tai says it does not intend in the next 12 months to acquire shares that would take its holding above 29.9 per cent allowing for full conversion. It also does not intend to make a full offer without the agreement of the Gieves board.

Group turnover was lower at £48.5m (£53.7m).

The pre-tax figure included losses of £634,000 (£1.14m) relating to the sold book and magazine manufacturers and the motor and petrol retailers.

Losses per share were 11.1p (8.1p). The final dividend is being passed as was the interim.

Brown & Jackson

The High Court has confirmed the reduction of capital in the reorganisation of Brown & Jackson.

Dealings in the new 1p ordinary shares will start today, when dealings in the former 20p shares and 10.75 per cent preference shares will cease.

The sale of 75 per cent of the issued ordinary shares of Advanced Technology Industries has also been completed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bradford Prop ....fin	2.45	Aug 7	2	4.45	3.7
Capital Gearing ......fin	1.2‡	July 8	0.35	1.2‡	0.35
Chillington ....fin	nil	-	0.75	0.5	2.75
Cranswick ....fin	5.2†	July 31	4.5	7.5	6.5
Davenport Knit ....fin	8.25	Oct 1	8.03	8.25	8.03
Erskine House ....fin	4.35	July 29	4.35	6.65	6.65
Finsbury Trust ....fin	1.8	July 15	1.65	3	2.85
For & Col Small ......fin	1.1	July 21	1.05	1.75	1.65
Gieves ....fin	nil	-	1.5	nil	3
Hazlewood Foods ...fin	3.9	Oct 5	3.7	6.1	5.8
Ldn & Clydeside§.....int	1.8	July 28	1.8	-	7
LPA Industries ....int	1.65	Aug 5	1.65	-	3.52
Melville St Invs........fin	2.5	Aug 21	3	4	4.5
National Power ....fin	6.1	Oct 13	5.5	9.1	8.25
Norweb ....fin	12.4	Oct 5	10.94	17.7	15.63
Safeland ....fin	0.14	Sept 3	0.3	0.28	1
Shelton(Martin)§.......fin	1	Aug 17	1	1.75	1.75
Sheriff Hldgs § ....int	1	Aug 21	0.75	-	1.5
Volex ....fin	10.5†	Oct 1	10.5	17	17

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Includes special 0.8p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Chemring, Gestetner, River Plate & Gen. Inv.

Finals- Booth Inds., Bulgin (AF), Cable & Wireless, Mountview Estates, Waddington (J).

FUTURE DATES

Interims-	
Lee (A)	June 24
Quicks	Aug 18
Securiguard	July 7
Finals-	
BPB Inds.	June 25
STP	June 24
Brown Shipley	June 18
FKI	June 18
Gieves	June 23
Hardy Oil & Gas	June 22
Hewetson	June 29
Neepsend	June 25
Tinsley Robor	June 16
Wagon Indl.	June 24
Westport	June 22
Yorkshire Water	June 25

NEWS DIGEST

Kleen-E-Ze £587,000 in the black

A £1m turnround from pre-tax losses of £428,000 to profits of £587,000 was announced by Kleen-E-Ze Holdings, the maker of industrial, household and hygiene products, for the half year to February 28.

Mr Edward Cook, the chairman, said that although a strong performance was achieved in the homecare business, trading conditions remained difficult in the mail order, retail and wholesale businesses. He did not expect any upturn in the second half and did not foresee any dividend payment for the year. The last payment was in 1988.

Turnover amounted to £25.3m (£24.6m) and operating profits to £941,000 (£21,000).

Earnings per share worked through at 3.78p (6.26p losses).

Safeland halved to £167,000

Safeland, the property group, yesterday reported that pre-tax profits were halved, from £335,000 to £167,000, in the year to March 31. Turnover declined by £3.3m to £8.6m.

At the interim stage the company reported profits of £81,000 from turnover of £3.26m.

The final of 0.14p (0.3p) makes a total of 0.28p (1p) and is more than twice covered by earnings of 0.6p (1.1p).

Manufacturing loss hits Chillington

A £1.49m downturn into operating losses by its UK industrial interests left Chillington Corporation with 1991 pre-tax losses down from £905,000 to £646,000.

However after lower extraordinary charges of £163,000 (£1.13m) the loss for the year was much reduced at £777,000 (£1.95m). The final dividend is being passed leaving the total payment at 0.5p (2.75p).

Turnover was £46.6m (£55.3m). There were improvements in operating profits for tropical agriculture at £1.59m (£1.24m) and agricultural tools at £1.13m (£547,000). Manufacturing had losses of £948,000 (£543,000 profits).

Melville Street net assets rise to 150p

Melville Street Investments, the development capital group, saw its net asset value increase from 146p to 150p over the 12 months to April 30.

During the year a total of £2.1m was realised and two new investments were made as well as providing £500,000 for existing investments.

Revenue for the year fell to £1.52m (£1.59m). Income from investments rose to £1.46m (£1.38m). Earnings were 4.2p (4.7p) and a final dividend of 2.5p makes a total of 4p (4.5p).

Loss of £120,000 at London & Clydeside

London & Clydeside Holdings reported a pre-tax loss of £120,000 for the half year ended March 31 1992. The interim dividend, however is again 1.8p.

The USM-quoted housebuilder said volumes were down 17 per cent on last year and margins remained depressed. Property development made a smaller contribution and that meant a 58 per cent reduction to £697,000 in operating profit.

Turnover came to £10.8m and included £2.5m in respect of a sale of a development property. Last year it was £8.65m and generated pre-tax profits of £855,000.

Since April 1 house sales remained below target and price reductions and discounting were continuing. Losses per share came to 0.6p (earnings 6.1p).

24% growth gives Cranswick £1.7m

Growth has continued apace at Cranswick, the pork products based food and agricultural group. In the year ended March 31 1992 sales advanced by 25 per cent and pre-tax profit by 24 per cent.

Turnover came to £93.9m (£75m) and profit to £1.71m (£1.38m). Growth in earnings per share was limited to 14.6p (13.4p) following the share issues, but the dividend is lifted 15 per cent to 7.5p (6.5p) with a final of 5.2p.

Harland Simon sells Vickerys for £8.1m

Harland Simon Group is to sell its Vickerys division to Thermo Fibertek for £8.1m cash.

Thermo Fibertek is a subsidiary of Thermo Electron, the US-based mechanical engineering company. The disposal will enable Harland Simon to reduce borrowings and concentrate on its main activities, electronic and electrical engineering.

Acquisition helps Sheriff to £161,000

Sheriff Holdings, which serves the contracting and construction industries, slightly improved both turnover and profit in the six months ended March 31 1992.

Sales were up £3,000 to £4.7m and pre-tax profit rose £8,000 to £161,000. In the core plant business, hire turnover experienced a marginal downturn, whereas sales of minor equipment and cabins suffered more radically. Turnover was helped by a 3½ month contribution from Abelson Plant, purchased last December for £2.55m.

Since the purchase gearing had been reduced from 85 per cent to below 70 per cent.

Earnings improved to 1.7p (1.5p). The interim dividend is lifted to 1p (0.75p).

Bradford Property steps up dividend

Bradford Property Trust is raising its dividend from 3.7p to 4.45p for the year ended April 5 1992, as earnings improved from 10.6p to 10.76p.

Pre-tax profit was static at £23.1m (£23m). Surplus from property rentals came to £9.79m (£8.32m) and profit from sales of dealing properties fell to £12.2m (£13.6m).

The final dividend is 2.45p

Davenport Knitwear shows 30% advance

Davenport Knitwear increased its pre-tax profit by 30 per cent in 1991.

On turnover ahead 11.5 per cent at £7.54m (£6.76m), the profit worked through at £1.23m against £944,000.

Earnings rose from 35.98p to 47.66p, and the dividend is increased from 8.03p to 8.25p.

Development costs hit Martin Shelton

Martin Shelton Group, the business calendars, diaries and gifts specialist, increased sales by nearly 19 per cent in the year ended March 31 1992, but saw pre-tax profits fall by 12 per cent.

Turnover came to £4.85m (£4.05m) and profit to £302,000 (£343,000). Earnings were 4.34p (5.08p) and the final dividend is 1p for an unchanged 1.75p total.

COMMODITIES AND AGRICULTURE

S African gold profits 'lowest since 1960s'

By Philip Gawith in Johannesburg

THE PRICE of gold has fallen by 33 per cent in real terms since 1988, taking real profits in the South African gold mining industry to the lowest level since the 1960s, Mr Naas Steenkamp, the outgoing president of the Chamber of Mines, told members yesterday.

The nominal rand gold price had been virtually flat since 1988 at about R990 ($350) a troy ounce, he said.

Production last year, at 601 tonnes, was only 4 tonnes lower than in 1990. But output had only been maintained by increasing the average grade mined to 5.2 grams a tonne from 5.05 grams in 1990.

Mr Steenkamp praised the industry's "quite remarkable performance" in cost containment, with the average working cost per kilogram of gold produced, at R26,136, only 1.6 per cent up from 1990. He compared this to five years previously when the comparable increase was 25 per cent.

The downside of the picture was the 36,000 people who lost their jobs in the industry last year, with a further 15,000 already in 1992. Also of concern, said Mr Steenkamp, was the fact that capital expenditure and dividend payments declined by 16.9 per cent and 10.4 per cent respectively.

All South Africa's other large mineral exports – coal, platinum, diamonds, zinc, copper, nickel and lead – also faced difficult markets.

Despite these problems, Mr Steenkamp said he had no reason to believe that the mining industry "will have anything but an exciting and productive future". He is succeeded as president by Mr Bobby Godsell of Anglo American.

SFA expels oil futures broker

By Neil Buckley

HOPE COMMODITIES, an oil futures broker on London's International Petroleum Exchange, and its director Mr Ahmad Al-Rahmani were yesterday expelled from membership by the Securities and Futures Authority on the grounds that they had "ceased to be fit and proper persons".

The SFA, the securities industry regulator, has been investigating Hope Commodities since it became aware of irregularities shortly before the company went into liquidation in January this year with debts of £1.2m. An SFA official confirmed yesterday that it had passed information on to the Metropolitan Police.

Mr Al-Rahmani, Hope's sole director, is accused of having improperly used money deposited by a client with Hope for trading purposes. The authority says the broker admitted that the funds were used instead to meet margin calls and trading losses on other unnamed client accounts.

Information in financial returns submitted by Hope during 1991 was false and misleading, the SFA says, showing an excess of funds when in fact there was a substantial deficit. Mr Al-Rahmani is said to have admitted to the SFA that he deliberately failed to disclose some debts, and that Hope was probably insolvent from the beginning of 1991.

Unrest hits Polish copper mines

By Christopher Bobinski in Warsaw

LABOUR UNREST hit Poland's LGHM copper combine yesterday as miners at two out of three copper ore pits staged a token two-hour stoppage backed by workers at the combine's smelters.

Unions leading LGHM's 40,000 strong workforce are demanding a 30 per cent wage increase and yesterday's protest precedes a shopfloor vote on June 24 to decide on whether to hold an all out strike to back the claim.

The unrest came after a visit last week to LGHM by the board of Australia's Western Mining Corporation designed to examine a possible investment in the combine. Sir Arvi Parbo, the company's chairman says of the 18-month long dialogue Western Mining has been conducting with the Poles that "we are still investigating the project" and adds that a joint venture would be on the cards "under the right conditions".

Last month Asarco, the US metals producer, offered to sign a management contract with LGHM for three years after which decisions could be taken by the Polish authorities on whether to sell a share of the plant.

Polish officials are telling prospective investors that foreign capital is welcome but that final decisions have to await the opening of competitive procedures for bids from foreign companies.

LGHM is one of those rare Polish companies that are unencumbered by debt and last year showed a Zl 3,500bn (£140m) gross profit.

Last year LGHM produced 23.7m tonnes of copper ore and 345,000 tonnes of refined copper, of which 241,000 tonnes was sold abroad, 18 per cent more than in 1990. Production plans this year are set at around 385,000 tonnes of which some 240,000 should be exported.

Nearly 900 unionised workers at Noranda's copper refinery in Montreal, with yearly capacity of 335,000 tonnes, have overwhelmingly voted to accept a new three-year contract providing a 3 per cent average pay increase in each year, and improved fringe benefits, writes Robert Gibbens in Montreal.

The workers are represented by the United Steelworkers. The settlement is in line with Canada's expected inflation rate.

LME zinc price fall accelerates

THE FALL in zinc prices triggered by the London Metal Exchange's move on Monday to ease a market squeeze accelerated yesterday, and traders and analysts expect further losses in coming weeks, writes Our Commodities Staff.

After watching the cash premium over three months metal climb from zero to nearly $190 a tonne in two-and-a-half months the exchange stepped in to establish maximum daily premiums for the June/July period, ranging from $15 to $5 a tonne. A cash premium is normally associated with supply tightness, but the recent widening of the price gap has been coincided with a rapid build up in the exchange's warehouse stocks to a record level.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+8,525	to 1,269,525
Copper	−575	to 262,775
Lead	−200	to 136,575
Nickel	−270	to 29,136
Zinc	+16,625	to 293,925
Tin	+435	to 12,980

The immediate response to the LME's action on Monday was a $24 fall in the cash price and a narrowing of the "backwardation", as the cash premium is known, to $166 a tonne. Yesterday the cash price lost another $56 at $1,367.50 a tonne and the backwardation shrank further to $136.25.

"We're seeing signs of liquidation – it [the three months price] has gone through the $1,250 support without too much difficulty," commented independent metals analyst Mr Robin Bhar.

"When you are a manufacturer it is difficult to appreciate what seems to be a game, and a highly expensive one at that," one producer said.

Cadmium market at 20-year lows

By David Blackwell

CADMIUM PRICES have fallen to the lowest levels for more than 20 years in the face of high stocks, environmental concerns and falling demand.

The bid price has fallen below 50 cents a lb. Some traders believe it could fall to about 30 cents and remain there for several years. In the late 1980s prices reached $9 a lb.

"It's a metal that simply ran out of steam," said one trader yesterday. "All the news is bearish."

Cadmium – a by-product of zinc mining – is highly poisonous and has been the target of environmentalists. Rechargeable nickel-cadmium batteries for gadgets like video cameras and portable telephones have made up the bulk of consumption. But improving technology has reduced the amount of cadmium needed in each battery, and new types of battery using no cadmium are on the horizon.

At the same time consumption in paint pigments and PVC stabilisers is also falling. One trader said yesterday that there was now only one major user for the metal in the UK – two other big plants had been closed recently because of environmental concerns.

Producer stocks of cadmium are already high, with some estimates putting them at as much as 5,000 tonnes, compared with world consumption at between 16,000 and 17,000 tonnes a year.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,745 (1,725-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-2.60 (2.40-3.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.60 (0.55-0.85).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 25.25-26.25 (26-27).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 140-160 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.43 (2.30-2.40).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 55-64 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.05-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75.

MMB seeks rise for butter-making milk

By David Blackwell

THE MILK Marketing Board for England and Wales yesterday called for "a substantial increase" in the price of milk sold for butter following the collapse of plans to reform milk pricing.

The board had intended to introduce a new way of pricing milk earlier this year based on the supply profile, with a premium being charged for regular deliveries. Milk production peaks in May and falls off sharply in summer.

The plan would have ended the much criticised present pricing system under which 24 different levels are set according to the use to which the milk is put. But it ran into legal problems with the European Commission earlier this month. The MMB blames the collapse on the UK Dairy Trade Federation's refusal to give up a part of the plan providing continuity of milk supplies.

However, the Dairy Trade Federation, which has to agree on pricing methods with the MMB, said yesterday that its was disappointed at the MMB's abandonment of the plan, which it believed could still be salvaged. It also suggested that the latest pricing proposals were not in the interest of consumers or – following CAP reform – producers.

Milk will continue to be priced under the "end-use" system, with the highest prices being charged for liquid milk consumption. At present liquid milk is 24.75p a litre, and butter-making milk is 17p a litre.

The MMB wants all prices to be raised, but it wants to narrow the gap between the liquid milk price and the bottom range.

The board pointed out that the wholesale price of liquid milk was last raised in December 1990. It believes that dairies can afford to absorb higher prices without raising prices to the consumer.

The collapse of the price reform plan means that end-use pricing is likely to remain in place until the 60-year-old MMB is wound up, probably in early 1994. The board plans to turn itself into a national voluntary co-operative.

● Preliminary results of the MMB show that £2.23bn was paid to wholesalers for 1991-92, up 1.3 per cent. The average price paid to dairy farmers rose 4 per cent to 19.98p a litre. Production fell 2.6 per cent to 11.14bn litres, mainly because of quota cuts.

The board said continued high demand for milk for liquid consumption (50 per cent of the total) has concentrated the effect of the quota cuts on milk for manufacture, which suffered a 5 per cent cut in availability.

US exchanges go to market with commodity baskets

Barbara Durr reports on index-based futures contracts being developed for trading in Chicago

THE WORLD'S two largest futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, may have built their massive trading volumes on financial futures, but they are about to take a step back toward traditional, physical commodities. The return path for the two exchanges will be futures contracts based on commodity price indices composed exclusively of physical market prices for products such as soyabeans, copper, live cattle and crude oil.

The CME will be first in to bat with futures on the Goldman Sachs Commodity Index (GSCI). Mr Jack Sandner, the CME chairman, says that the exchange plans to launch the contract by the end of July. He is convinced that the investing world will be keen to trade an index of major commodities that has a good record of anticipating the inflationary cycle.

Goldman Sachs, the big Wall Street investment bank, started the index only a year ago, in May 1991. But, thanks in part to Goldman's international prominence, it has quickly gained market recognition. The index was developed to offer investors a product having a low correlation with stocks and bonds. Goldman's market analysts believe that interest in the index will be encouraged over the next few years by a widespread recovery in commodity prices from the recent historic lows.

The GSCI is composed of 18 physical commodities – wheat, maize, soyabeans, cotton, sugar, coffee, cocoa, crude oil, unleaded gasoline, heating oil, live cattle, live hogs, aluminium, copper, gold, zinc, platinum and silver – weighted by production. The weighting is based on United Nations production data and all weights are a five-year average, lagged three years. The index base is 1970. Because it is production weighted and production is influenced by consumption, the index is more sensitive to changes in real economic conditions than an equally weighted index.

The CME's future will be cash settled to an index price of the nearby futures contracts of which it is composed. The trading unit will be $250 times the GSCI, with contract months of February, April, June, October and December.

Trading hours, in Chicago time, will be 7:20 am to 2:15 pm. The price increment will be a tenth of an index point or $25 a contract.

The CBoT is developing an international commodity index, also composed of only physical prices, in co-operation with the Commodities Research Bureau, a division of Knight Ridder Financial. Neither the CBoT nor CRB will disclose what exactly will be in their new index, but they say it will be production weighted and composed of 18 commodities traded on seven US and foreign exchanges.

The CRB has had an index since 1957, which is the most widely known and the most widely followed in commodity trading. That index today is composed of 21 equally weighted commodities – cattle, cocoa, coffee, copper, cotton, crude oil, gold, heating oil, live hogs, lumber, maize, oats, orange juice, platinum, pork bellies, silver, soyabean meal, soyabean oil, soyabeans sugar and wheat.

A future based on it has traded at the New York Futures Exchange since 1986, but not with a great deal of success. Its peak trading volume year was 1988, when 305,951 contracts changed hands. But volume then dwindled and by last year had declined to just 61,186 contracts.

The CBoT is awaiting regulatory approval from the Commodity Futures Trading Commission, the US watchdog, to proceed with the contract. No time frame for a launch is yet set.

Despite the enthusiasm of both exchanges for commodity index futures, the NYFE's rather dismal record with the CRB index would seem to raise doubts about the prospects for such a product.

A few important differences may, however, give the Chicago exchanges a better shot. The indices will be production weighted and both exchanges are large, liquid markets compared to the tiny NYFE.

The CME may in addition have a few advantages over its old rival, the CBoT. The GSCI has market recognition and the gleam of a big Wall Street firm to it. While the original CRB index enjoys market recognition, the new international CRB index is an unknown.

The GSCI is completely and easily investible – that is one can buy the separate contracts underlying the index – within the US and in the same time zone. The CBoT's global CRB index will include contracts traded on foreign exchanges in different time zones.

While the CBoT has not even yet unveiled its new index, the CME has begun to market its product vigorously already. It has even run advertisements in the Wall Street Journal offering special permits to attract new traders.

Furthermore, a suspicion that the CBoT's contract is another "me-too" product may not help it. The CBoT announced its intentions to begin a new index future long after the CME's plan on the GSCI was known. The two exchanges have historically competed against each other by introducing similar contracts, though usually only one truly takes off. And sometimes both fail.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD held steady on the London bullion market, maintaining support at $342 a troy ounce. "Gold hasn't really done anything since its rally up last Thursday and Friday. We're not sure whether the precious metals are consolidating or running out of steam. Short covering doesn't seem to be a solid basis for a bull run," said one dealer. Others said gold had held above $340 in the absence of feared producer selling and might be able to hold around $341 if good physical offtake emerged. The key upside target on the charts remains $345. London's September COCOA contract touched a new 16½-year low of £529 a tonne before recovering most of the loss by the close. Dealers said the market continued to be pressured by sentiment that key origins still have substantial tonnages to sell. On the LME three-month TIN consolidated above $6,600 a tonne, absorbing selling, with the market maintaining its uptrend. In Chicago WHEAT remained higher at midsession, with support keyed to short covering after recent losses, and in sympathy with moderate gains in maize and soyabeans. New York raw SUGAR touched lifetime highs in early trading.

Compiled from Reuters

London Markets

New York

Chicago

FT-SE Index regains the 2,600 level

By Terry Byland,
UK Stock Market Editor

THE RECOVERY in the UK stock market was taken a stage further yesterday, the FT-SE rebounding above the 2,600 mark with the help of a firm stock index futures sector and some bargain hunting by the institutions.

Wider economic factors played little role in the share rally, which reflected the oversold position that developed in the market last week. Improvement in government bonds was ascribed to the news of a Public Sector Borrowing Requirement of £3.13bn last month, slightly lower than expected, rather than to suggestions in the UK press that a further reduction in base rates might be on the cards.

Equities opened above Footsie 2,600 encouraged by the uptick in stock index futures late on Monday evening. The running was taken up by evidence on the Seaq overnight printer of at least one buying programme.

Evidence of at least one more buying programme crossed the trading screens later. Traders found difficulty in tracing the complete picture but believed that by the end of the day, the market had benefited from a £125m programme from a leading UK investment bank, accompanied by similar £10m and £50m programmes, also from London sources. However, the day's Seaq total of 391m shares remained relatively unexciting, although an improvement on Monday's 359.6m. Customer, or retail, business in equities in London fell to £881.2m on Monday, one of the lowest daily totals since before the general election in April. On several days last week, customer business exceeded £1bn.

The Footsie made progress throughout the session and was helped at the close by a steady start to the new Wall Street session, where the Dow gained four points in UK trading hours. The final reading of 2,616.3 showed a gain of 22.7 on the FT-SE Index.

The recovery of confidence in the market was additionally reflected in an increased flow of stock recommendations from brokerage houses. Several leading houses take the view that the Footsie's fall last week to the 2,580 area has opened up buying opportunities. A number of stocks in the Footsie list benefited from brokerage recommendations, notably Unilever, Ladbroke Group and British Aerospace.

Confidence was also helped by a pause in the flow of corporate trading results which drove the market downwards last week. Trading figures from the electricity industry were taken fairly comfortably by a market now concentrating on likely developments in pricing regulation among the utilities.

Selling pressure was removed from a handful of leading stocks which have dragged the market down recently. Midland, now following the Hongkong & Shanghai Banking Corporation share price, moved higher, and there was a better tone throughout the banking sector.

US buyers returned for the leading pharmaceutical stocks and tobaccos rallied from nervous falls in the previous session. But oil shares remained overborne by renewed bearishness towards BP by the UK securities arm of a leading French investment house.

Account Dealing Dates

*First Dealings:	Jun 1	Jun 15	Jun 29
Option Declarations:	June 11	Jun 25	Jul 9
Last Dealings:	Jun 12	Jun 26	Jul 10
Account Day:	Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

Buyers return for Lasmo

VAGUE BID speculation and a presentation by one securities house were behind a strong showing for Lasmo, which jumped 10 to 209p, making it one of the best performers of London's top 100 stocks.

Trading was active in the morning as an old rumour circulated that the French oil giant Elf Aquitaine might be interested in buying the North American assets acquired by Lasmo from Ultramar. Analysts tended to dismiss the talk, saying there was no reason for Elf to wait until the assets are offered to the public before showing its hand.

The pricing of the public offer is expected today and estimated at between $1.07bn (£580m) and $1.16bn, and it seemed more likely that pre-pricing excitement had prompted the Lasmo rise. Also, Lasmo's broker, Cazenove, was said to have held a presentation to clients yesterday.

SmithKline up

The announcement of a joint distribution and development agreement helped SmithKline Beecham to rise 7 to 889p. The pharmaceuticals group said it reached an agreement with the US state of Michigan's Public Health Department that will make SmithKline the exclusive US distributor outside Michigan of vaccines for children developed by the state's public health department.

Initial estimates of the gain to SmithKline were between £50m and £75m. Mr Paul Woodhouse, a pharmaceuticals analyst with Smith New Court, said the statement was "further evidence that they are getting their act together. People are worried about volume output, and little things like this go some way to help."

Vodafone rallies

After Monday's sharp fall, cellular telecoms operator Vodafone rallied as some in the market decided that the rival Cellnet's move to restructure its consumer operations was not the start of a price war that some observers had concluded. Vodafone recouped 10 to 344p with 8.6m shares traded.

Reiterating his strong buy recommendation, Mr Evan Miller at Lehman Brothers said: "This was not the start of a price war because the Cellnet move only affects consumer business. And as it will not come into effect until the end of the year, the jury will remain out until well after then." Strauss Turnbull was also reported to have repeated its positive stance.

An early session buy order in life insurer Legal & General was said to have caused a squeeze, the shares closing 10 ahead at 393p.

Merchant bank Kleinwort Benson was also advising clients to switch out of Prudential, steady at 250p, arguing that L & G shares were cheap at the moment while the Pru was "fairly valued". However, Strauss Turnbull was said to be recommending a switch in the opposite direction.

Concern about the profits of London International Group, due to be announced today, left the shares 3 easier at 258p.

Arbitrageurs were said to be behind an advance in Midland Bank of 10 to 435p in heavy trading of 11m shares. The stock was also helped by a rise in HSBC Holdings shares, which boosts the value of HSBC's takeover offer for Midland.

Results in the electrical energy sector were in line with expectations and had little effect on share prices. National Power eased ½ to 240½p in spite of a raised dividend, while Norweb hardened a penny to 335p as profits nearly doubled to £137.9m and the dividend increased to 17.7p from 10.94p.

International drinks groups had an advantage over the more domestically orientated brewers, in view of fears that the recovery in the UK economy will be sluggish. Bass moved ahead 11 to 604p as its Holiday Inns subsidiary announced expansion plans in Czechoslovakia and other east European countries.

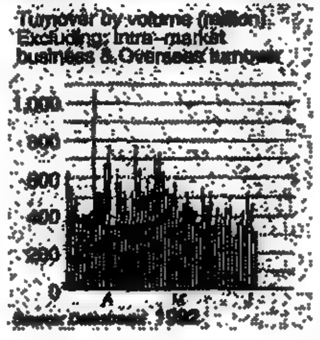
United Biscuits declined 9 to 380p in an active business of 2.4m shares after Smith New Court cut its 1992 profits estimate to £207m from £216m and the 1993 forecast to £225m from £238m. Analysts at Smith said trading conditions had continued to worsen since the company's bearish statement at the annual meeting in May.

On the other hand, Smith agreed with the recommendation given to Unilever by UBS Phillips & Drew and County NatWest. Unilever jumped 11 to 944p, boosted by news that County had added the stock to its list of 30 recommended shares. This was based on the company's exposure to European countries with strong earnings growth.

Other major food manufacturers traded nervously, with Tate & Lyle losing a penny to 375p on heavy turnover of 2.4m shares while Cadbury Schweppes eased 2 to 477p, as both suffered from fears that UK economic recovery will prove elusive and margins in the UK and US are likely to be hit.

Technical rallies helped RMC and Redland gain 11 each to 559p and 509p respectively. Rugby rose 6 to 195p as analysts reacted positively to a weekend visit to the cement maker. AMEC firmed 3 to 143p as S.G. Warburg was reported to be positive on the stock. Taylor Woodrow, at 98p, added 3 following a successful institutional lunch in Scotland.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover.

British Aerospace shrugged off recent worries about provisions and the dividend and bounced 12 to 306p.

Smith New Court, reported to have had a sizeable buyer, is positive on the stock, as is Strauss Turnbull, where Mr Nick Cunningham believes the shares have fallen far enough. He said: "The company is unlikely to go for complete closure of the regional aircraft division, thus the provisions will not be as big (as feared)."

Increased appreciation of the successful bid for Dowty continued to boost shares in TI Group, which climbed 14 to 368p. Helped by a Smith New Court recommendation, Rolls-Royce firmed 3 to 166p on light turnover of 1.2m. News of good orders at FKI lifted the shares 2 to 78.

Simon Engineering shed 5 to 243p after being dropped from County NatWest's top 30 best buys. Kleinwort Benson was reported to have been a seller of Smiths Industries, but the shares ended unchanged at 295p. Positive press comment following Monday's results helped BET improve 8 to 144p.

Buying ahead of today's results from Cable and Wireless helped the telecoms group rise 6 to 540p. After its recent dismal run, Euro Disney rallied 25 to 1173p. Profit-taking knocked 12 off package holiday group Airtours, which closed at 292p.

Car auctions and security group ADT moved up 20 to 478p on the back of buying in the US. Strength in Glaxo, up 12 at 735p, was also attributed to US demand.

BP remained weak as a reduced profits forecast by Société Générale Strauss Turnbull weighed on sentiment. The shares slipped 1½ to 258p.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Colin Millham.

■ Other market statistics, Page 27

FINANCIAL TIMES STOCK INDICES

	June 16	June 15	June 12	June 11	June 10	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.74	88.70	88.82	88.71	88.63	83.88	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.37	104.42	104.83	104.44	104.49	92.97	105.92 (2/6)	97.16 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share ●	2037.0	2026.4	2025.3	2039.5	2057.3	1977.6	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	105.3	104.3	103.7	103.1	103.6	197.2	160.6 (10/1)	103.1 (11/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2616.3	2593.6	2603.7	2614.1	2636.1	2524.0	2737.8 (11/5)	2392.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1207.88	1199.73	1207.55	1207.41	1216.14	1176.89	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.54	4.57	4.56	4.54	4.50	4.80				
●Earning Yld %(full)	6.65	6.70	6.69	6.66	6.59	6.48				
●P/E Ratio(Net)(☆)	18.83	18.70	18.75	18.81	18.99	14.54				
SEAQ Bargns 5.00pm	21,353	21,201	27,861	22,761	22,156	22,536				
Equity Turnover(£m)†	-	881.2	1098.2	1283.0	953.1	554.41				
Equity Bargains†	-	29,814	30,736	28,449	25,806	22,550				
Shares Traded (ml)†	-	305.3	471.2	520.3	417.7	242.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.48

Ordinary Share Index, Hourly changes Day's High 2039.6 Day's Low 2031.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2031.2	2032.4	2035.6	2039.0	2037.6	2037.1	2037.6	2038.9	2037.6

FT-SE 100, Hourly changes Day's High 2616.3 Day's Low 2600.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2600.3	2603.1	2611.5	2611.8	2611.5	2611.5	2612.5	2615.0	2615.7

FT-SE Eurotrack 200, Hourly changes Day's High 1208.79 Day's Low 1206.23

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1207.46	1207.44	1207.45	1208.91	1208.82	1207.50	1208.45

GILT EDGED ACTIVITY

Indices*	June 15	June 12
Gilt Edged Bargains	95.0	115.0
5 – Day average	105.9	105.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	7	478	+20
ASDA Group	8,100	34½	+½
Abbey National	782	283	+1
Albert Fisher	838	72	+2
Allied-Lyons	834	590	+5
Amstrad	2,100	41½	+½
Anglian Water	785	484	−2
Argos	48	284	+1
Argyll Group	1,900	348	+2
Arjo Wiggins	877	228	+4
Ass. Brit. Foods	835	438	+2
Ass. Brit. Ports	331	[illegible]	
BAA	1,700	574	−6
BAT Inds.	2,100	778	+10
BET	4,200	144	+8
BICC	391	325	−3
BOC	530	686	+3
BPB Inds.	930	175	+2
BTR	1,900	478	+3
Bank of Scotland	682	118	+1
Barclays	2,700	386	+2
Bass	530	604	+11
[illegible]	380	29½	+½
Blue Circle	1,900	210	
Booker	45	461	+2
Boots	2,800	485	
Bowater	859	815	+7
Brit. Aerospace	2,300	306	+12
British Airways	3,200	275	+6
British Gas	2,800	266	+1½
British Land	126	287	+8
BP	3,800	258	−1½
British Steel	4,300	78	+3
British Telecom	4,500	340	+1½
Br. Telecom New	8,000	128½	+1
Bunzl	318	300	−3
Burmah Castrol	237	652	+1
Burton	4,400	59½	+1
Cable & Wire.	1,200	540	+6
Cadbury Schweppes	859	477	−2
Calor Group	687	681	
Carlton Comms.	441	661	−3
Coats Viyella	1,300	199	
Comm. Union	448	488	+7
Cookson	802	149	+3
Courtaulds	438	570	+5
Dalgety	344	420	−2
De La Rue	1,000	557	+6
Dixons	1,500	262	+7
Eastern Elect.	1,800	277	−1
East Midland Elect.	825	289	−4
Eng. China Clays	658	339	+10
Enterprise Oil	277	488	−3
Eurotunnel Units	284	394	
FKI	2,500	78	+2
Fisons	3,400	341	+8
Forte	[illegible]	[illegible]	
Gen. Accident	[illegible]	[illegible]	+7
General Elect.	[illegible]	[illegible]	+4½
Glaxo	1,900	735	+12
Glynwed Int.	280	340	
Granada	1,000	284	+3
Grand Met.	2,800	463	+8
GUS A	[illegible]	[illegible]	+27
GRE	1,700	168	
GKN	855	385	+6
Guinness	742	587	+7
Hammerson "A"	65	382	−1
Hanson	7,100	217	+1
Hanson Warrants	5,400	25¼	+½
Harrisons Crosfield	341	135	+5
Hillsdown	540	164	+3
IMI	196	273	−2
ICI	[illegible]	[illegible]	−1
Inchcape	771	465	
Kingfisher	1,100	580	+4
Kwik Save	625	630	+7
Ladbroke	2,300	212	+1
Land Securities	585	400	+10
Laporte	241	619	+7
Legal & General	[illegible]	[illegible]	+10
Lloyds Abbey	1,000	375	+5
Lloyds Bank	587	418	+5
LASMO	4,500	209	+10
London Elect.	339	320	−3
Lonrho	2,500	92	
Lucas	1,800	128	−2
MB Caradon	589	287	+7
MEPC	511	310	+9
Manweb	580	343	−1
Marks & Spencer	1,500	332	+6½
Midland Bank	11,000	435	+10
Midlands Elect.	427	305	−3
NFC	609	241	
NatWest Bank	1,580	337	+5
National Power	2,800	240½	−½
Next	1,400	96	
North West Water	882	410	+1
Northern Elect.	674	326	+1
Northern Foods	685	605	+1
Norweb	432	335	+1
Pearson	391	417	
P & O	405	485	+3
Pilkington	2,700	130	+2
PowerGen	333	249	
Prudential	1,800	250	+1
RHM	530	223	
RMC	388	559	+11
RTZ	822	623	+13
Racal	8,100	65¼	−½
Rank Org.	298	702	+2
Reckitt & Colman	697	546	+4
Redland	1,000	509	+12
Reed Intl.	882	580	+6
Rentokil	403	186	+2
Reuters	247	1114	+2
Rolls Royce	1,200	166	+3
Rothmans	27	1099	+6
Ryl Bk Scotland	2,800	197	−1
Royal Insurance	946	340	
Saatchi	883	172	+6
Sainsbury	2,800	458	+8
Scottish & New.	58	491	−1
Scot. Hydro-Elect.	554	112½	−½
Scottish Power	1,800	130½	−1
Sears	3,200	91	
Sedgwick	537	255	
Seeboard	188	308	−5
Severn Trent Water	338	383	+4
Shell Transport	1,200	515	+1
Siebe	429	739	+8
Slough Ests.	512	183	+2
Smith (W.H.) A	328	465	+5
Smith & Nephew	3,300	148½	+2
SmKl Beecham	535	889	+7
SmKl Beecham Uts.	12	[illegible]	+25
Smiths Inds.	608	295	
Southern Elect.	235	282	−4
South Wales Elect.	136	385	−4
South West Water	23	387	+3
South West Elect.	175	301	−2
Southern Water	604	400	+6
Standard Chartd.	979	448	−8
Storehouse	685	145	+5
Sun Alliance	2,000	318	+8
T&N	289	148	+4
TI Group	1,300	368	+14
TSB	4,600	139	+1
Tarmac	3,500	121	+1
Tate & Lyle	2,400	375	−1
Taylor Woodrow	402	98	+3
Tesco	1,800	251	+3
Thames Water	700	420	+1
Thorn EMI	[illegible]	833	−1
Tomkins	611	491	+9
Trafalgar House	2,800	112	−4
Unigate	1,300	339	+7
Unilever	2,000	944	+11
United Biscuits	2,400	380	−9
Utd. Newspapers	287	421	+1
Vodafone	8,600	344	+10
Warburg (SG)	82	549	
Wellcome	288	947	
Welsh Water	785	428	+12
Wessex Water	240	460	+4
Whitbread 'A'	1,100	451	+1
Williams Hldgs.	908	327	+3
Willis Corroon	337	248	+2
Wimpey	233	158	+4
Wolseley	389	423	
Yorkshire Elect.	128	280	−4
Yorkshire Water	228	455	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A BETTER than expected PSBR figure, coupled with a view that recent falls had been overdone, boosted activity in stock index futures, writes Joel Kibazo.

The squeeze on Monday in after-hours' trading was repeated early yesterday and the June contract opened strongly at 2,601, pulling the underlying cash market higher, and helping the contract establish a 5 point premium to cash. Light selling then caused a slight retreat and June traded at a discount to fair value just before 11.30am.

June found further support from the favourable performance of gilts and bonds and continued its upward direction in the afternoon session, settling into a narrow 4-point range. It closed at 2,620 just off the day's high of 2,622 and up 27 on Monday's poor close and at a 5-point premium to the cash market. With the expiry of June later this week, fair value stands at 0. Turnover reached 7,260 contracts.

The day in the options was extremely poor and turnover reached a meagre 24,396 contracts, of which the FT-SE option traded a day's total of 10,905 lots.

Hanson was the busiest stock option trading 1,454 lots with the August 200 puts particularly busy. This was followed by BAT in which 1,000 lots were dealt.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday June 16 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jun 15 Index No.	Fri Jun 12 Index No.	Thu Jun 11 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	861.64	+1.1	6.68	5.34	19.42	16.21	851.91	[illegible]	[illegible]	827.82
2 Building Materials (22)	971.03	+1.3	5.76	5.77	23.31	22.03	959.01	966.88	987.31	1054.69
3 Contracting, Construction (28)	887.82	+1.0	4.01	6.80	52.93	24.60	878.69	888.75	937.50	1263.86
4 Electricals (8)	2559.73	−0.1	6.73	6.02	19.30	68.82	2562.71	2553.50	2609.15	2371.30
5 Electronics (29)	2002.72	+1.2	7.98	4.25	15.79	9.02	1979.23	[illegible]	[illegible]	1753.48
6 Engineering-Aerospace (6)	370.86	[illegible]	9.83	7.03	12.87	11.27	364.26	369.52	377.59	421.84
7 Engineering-General (44)	542.61	+1.0	7.37	4.39	16.85	9.02	537.22	540.88	548.89	448.74
8 Metals and Metal Forming (8)	342.49	+1.9	0.81	10.11	–	3.54	336.05	339.73	344.92	463.58
9 Motors (14)	363.98	+0.6	7.30	6.46	18.03	10.04	361.99	360.94	366.67	328.29
10 Other Industrial Materials (19)	1807.76	+1.2	6.85	4.59	17.58	34.66	1787.04	1788.46	1777.36	1514.95
21 CONSUMER GROUP (189)	1678.40	+0.8	7.27	3.42	16.90	23.58	1664.80	1671.39	1674.77	1477.61
22 Brewers and Distillers (24)	2195.93	+1.1	7.65	3.37	15.78	29.32	2171.56	2164.05	2172.50	1826.27
25 Food Manufacturing (18)	1277.46	+0.3	8.45	4.12	14.65	21.82	1273.11	1281.29	1283.14	1171.56
26 Food Retailing (18)	2900.25	+0.9	8.36	3.15	15.65	44.51	2875.79	2889.60	2873.18	2616.82
27 Health and Household (24)	3989.94	+1.0	6.91	2.65	16.49	36.33	3950.86	3954.81	3968.66	3574.06
29 Hotels and Leisure (20)	1324.66	+0.1	5.97	5.11	21.69	23.50	1323.67	1342.23	1359.30	1290.48
30 Media (25)	1595.25	+0.3	6.11	3.29	20.36	25.00	1591.12	1605.94	1596.85	1407.70
31 Packaging, Paper & Printing (17)	815.46	+0.7	6.32	4.05	19.20	14.29	809.98	820.35	824.76	694.09
34 Stores (33)	1070.65	+1.2	7.15	3.46	18.48	15.85	1057.70	1063.62	1063.67	908.29
35 Textiles (10)	698.70	+0.1	6.57	4.45	19.19	12.44	697.97	708.77	720.18	558.26
40 OTHER GROUPS (116)	1284.07	+0.5	9.62	5.07	12.98	19.74	1278.00	1291.87	1297.63	1238.48
41 Business Services (17)	1432.68	+1.0	6.40	3.60	19.22	15.14	1418.98	1422.62	1438.64	1271.94
42 Chemicals (22)	1516.28	+0.2	7.04	4.81	17.42	31.75	1512.77	1525.03	1526.18	1396.33
43 Conglomerates (11)	1328.76	+0.4	9.72	7.15	12.85	25.62	1323.41	1335.72	1349.68	1480.43
44 Transport (14)	2543.14	+0.3	7.99	4.61	15.21	49.58	2536.79	2582.56	2650.73	2230.61
45 Electricity (16)	1311.78	−0.4	13.73	5.24	9.24	17.21	1317.47	1320.63	1310.65	1201.73
46 Telephone Networks(4)	1419.62	+0.8	10.81	4.61	12.08	17.36	1407.92	1424.46	1427.26	1479.25
47 Water(10)	2733.37	+0.7	15.98	6.08	6.92	54.92	2714.26	2790.26	2820.79	2309.33
48 Miscellaneous (22)	2063.71	+0.8	5.71	4.78	23.12	23.41	2046.52	2069.62	2061.70	1953.51
49 INDUSTRIAL GROUP (483)	1350.23	+0.8	7.89	4.29	15.79	20.72	1339.91	1348.21	1354.03	1243.91
51 Oil & Gas (17)	2138.78	+0.2	7.09	6.65	18.53	63.69	2135.20	2127.95	2157.55	2395.47
59 500 SHARE INDEX (500)	1423.89	+0.7	7.81	4.54	16.04	24.01	1413.89	1421.23	1428.78	1341.95
61 FINANCIAL GROUP (86)	754.23	+0.8	–	6.02	–	19.80	748.21	751.30	759.50	786.83
62 Banks (9)	951.78	+0.7	5.07	5.73	31.22	24.58	945.02	946.81	961.32	871.15
65 Insurance (Life) (6)	1535.51	+0.8	–	5.80	–	44.26	1523.25	1528.39	1551.89	1495.19
66 Insurance (Composite) (7)	547.06	+1.3	–	6.36	–	13.46	539.81	536.04	532.89	676.35
67 Insurance (Brokers) (10)	922.65	+0.3	8.27	7.07	15.92	29.69	920.26	929.65	943.76	1109.92
68 Merchant Banks (7)	499.07	−0.2	–	4.33	–	11.25	500.26	507.13	512.01	421.17
69 Property (32)	663.63	+1.4	8.83	6.90	15.33	18.82	654.40	667.03	671.52	917.83
70 Other Financial (15)	251.40	....	7.24	6.94	18.74	5.32	251.43	254.15	258.24	274.74
71 Investment Trusts (69)	1190.29	+0.5	–	3.77	–	18.05	1184.56	1198.48	1200.52	1224.41
99 ALL-SHARE INDEX (655)	1263.20	+0.7	–	4.69	–	22.64	1254.26	1260.82	1268.24	1208.44

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 15	Jun 12	Jun 11	Jun 10	Jun 9	Year ago
FT-SE 100 SHARE INDEX♦	2616.3	+22.7	2616.3	2600.3	2593.6	2603.7	2614.1	2636.1	2635.4	2516.0

FIXED INTEREST

PRICE INDICES	Tue Jun 16	Day's change %	Mon Jun 15	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	122.67	+0.02	122.65	2.08	5.72
2 5–15 years (24)	137.89	+0.09	137.76	1.82	6.89
3 Over 15 years (10)	148.55	+0.18	148.27	1.33	6.06
4 Irredeemables (6)	165.12	−0.18	165.42	1.63	6.35
5 All stocks (64)	135.56	+0.08	135.46	1.88	6.51
Index-Linked					
6 Up to 5 years (2)	173.71	−0.05	173.80	0.80	1.83
7 Over 5 years (9)	153.65	+0.24	153.29	0.97	2.04
8 All stocks (11)	155.23	+0.19	154.93	0.94	1.99
9 Debs & Loans (63)	120.27	−0.03	120.31	2.21	5.55

AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 16	Mon Jun 15	Year ago (approx.)
British Government				
1 Low	5 years	8.10	8.13	9.03
2 Coupons	15 years	8.96	8.96	10.16
3 (0%-7¾%)	20 years	8.96	8.96	10.16
4 Medium	5 years	9.19	9.20	10.48
5 Coupons	15 years	9.09	9.10	10.39
6 (8%-10¾%)	20 years	9.07	9.08	10.31
7 High	5 years	9.40	9.41	10.65
8 Coupons	15 years	9.28	9.30	10.54
9 (11%-)	20 years	9.23	9.25	10.43
10 Irredeemables		9.23	9.21	10.36
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.90	3.88	4.32
12 Inflation rate 5%	Over 5 yrs.	4.31	4.32	4.31
13 Inflation rate 10%	Up to 5yrs.	3.13	3.10	3.35
14 Inflation rate 10%	Over 5 yrs.	4.11	4.13	4.10
15 Debs &	5 years	10.52	10.51	11.92
16 Loans	15 years	10.38	10.37	11.69
17	25 years	10.27	10.26	11.50

♦Opening index 2600.3; 9 am 2603.1; 10 am 2611.5; 11 am 2611.8; Noon 2611.5; 1 pm 2611.5; 2 pm 2612.5; 2.30 pm 2613.7; 3 pm 2615.0; 4.10 pm 2615.6; (a) 4.29pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (26).
BRITISH FUNDS (2) Treas. 2½pc I-L 2001, Treas. 2½pc I-L 2003, BREWERS (2) Devenish (JA), Marston Thompson, BUSINESS SERVS (2) Pennis, Rolfe & Nolan, ELECTRICALS (1) Ericsson (LM), ELECTRONICS (4) Blick, Forward, Pressac, Soundtracs, ENG AERO (1) Dowty, ENG GEN (1) Plasmec, FOOD MANUF (1) Cranswick, FOOD RETAILING (1) Shoprite, INV TRUSTS (2) Gartmore Scotland Zero Div. Pf., Melville Street Invs., MTL & MTL FORMING (1) Johnson Matthey, MISC (2) Erskine Hse., Great Southern, OTHER INDL MATLS (1) Vinten, PROP (2) Burford, Etonbrook, Letinvest 11¼pc Deb., STORES (1) Moss Bros, WATER (1) South Staffs. Water.

NEW LOWS (87).
BRITISH FUNDS (1) Exchequer 13½pc 1992, AMERICANS (1) Whirlpool, BANKS (2) Espirito Santo Fincl., Westpac, BLDG MATLS (2) Plasticsel, Unigroup, CHEMS (1) Schering, CONGLOMERATES (3) Bibby (J), CSR, Gleves, CONTG & CONSTRCN (2) Lilley, London & Clydeside, ELECTRONICS (2) Betacom, Norsk Data A, ENG GEN (2) BSS, Vortex Energy, FOOD MANUF (3) Tate & Lyle, Do. 7¼pc Pf., Utd. Biscuits, HEALTH & HSEHOLD (2) London Intl., Swallowfield, HOTELS & LSS (6) Airbreak Lsis., Ex Lands, Fairline Boats, Kunick, Owners Abroad, Savoy Hotels A, INSCE COMPOSITE (1) Skandia, INV TRUSTS (8) Drayton Korea, Dunedin Worldwide, Korea-Europe, River & Merc. American, River & Merc. Geared Inc., SPLIT, Throgmorton Dual, Trust of Prop., MEDIA (1) Crown Comms., MERCHANT BANKS (1) Brown Shipley, MISC (2) Norbain Elects., Porth, OIL & GAS (2) Petrofina, Santos, OTHER FINCL (2) Invesco MIM, Mitsubishi, OTHER INDL MATLS (1) Pacific Dunlop, PROP (4) High-Point, Power Corp., Regalian, Wates City of Lon., STORES (3) Amber Day, Blacks Lsis., Oliver, TRANSPORT (3) Davies & Newman, Mayne Nickless, Ocean, PLANTATIONS (1) Williamson, MINES (11) Central Pacific, East Daggs, Elandsrand, Falcon, Harmony, Julia Mines, Minorco, Sth. African Land, Southvaal, Vaal Reefs, Venterspost.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or-	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛	—	101¼	[illegible]	12.20	9.70
13½pc 1992		[illegible]	−⅛	102¼	100⅞	13.30	9.72
Treas 8¾pc 1993		[illegible]	—	[illegible]	[illegible]	8.31	9.26
10pc 1993‡‡		[illegible]	—	[illegible]	[illegible]	9.99	9.44
12½pc 1993‡‡		[illegible]	—	[illegible]	[illegible]	12.33	9.46
Treas 13¾pc 1997‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997		[illegible]	—	[illegible]	[illegible]	10.02	9.19
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		[illegible]	—	99	94	8.89	9.11
8¾pc 1997 D		[illegible]	—	[illegible]	[illegible]	8.89	9.12
Exch 15pc 1997		[illegible]	—	[illegible]	[illegible]	12.24	9.51
9¾pc 1998		[illegible]	—	[illegible]	[illegible]	9.52	9.18
Treas 6¾pc 1995-98‡‡		[illegible]	+⅛	[illegible]	[illegible]	7.30	9.47
15½pc '98‡‡		[illegible]	—	[illegible]	[illegible]	12.18	9.43
Exch 12pc 1998		[illegible]	—	[illegible]	[illegible]	10.85	9.30
Treas 9½pc 1999‡‡		[illegible]	—	[illegible]	[illegible]	9.28	9.02
Exch 12¼pc 1999		[illegible]	+⅛	[illegible]	[illegible]	10.71	9.32
Treas 10½pc 1999		[illegible]	—	[illegible]	[illegible]	9.67	9.21

BRITISH FUNDS – Cont.

	Notes	Price £	+or-	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		[illegible]	+⅛	[illegible]	[illegible]	[illegible]	9.21
9pc 2000‡‡		99½	—	[illegible]	[illegible]	[illegible]	9.06
9% 2000 D		[illegible]	—	[illegible]	[illegible]	9.11	9.07
Treas 13pc 2000		[illegible]	+⅛	121¼	[illegible]	[illegible]	9.42
10pc 2001		[illegible]	+⅛	[illegible]	[illegible]	9.64	9.18
14pc '98-01		[illegible]	—	121	[illegible]	11.67	9.60
9¾pc 2002		[illegible]	+⅛	[illegible]	[illegible]	[illegible]	9.14
Treas. 9pc 2012		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc '13-'17		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		[illegible]	—	[illegible]	[illegible]	9.38	–
War Loan 3½pc‡‡		[illegible]	−⅛	[illegible]	[illegible]	9.17	–
Conv 3½pc '61 Aft.		[illegible]	−⅛	[illegible]	[illegible]	[illegible]	–
Treas 3pc '66 Aft.		[illegible]	—	[illegible]	[illegible]	9.48	–
Consols 2½pc		[illegible]	—	[illegible]	[illegible]	[illegible]	–
Treas. 2½pc		[illegible]	—	[illegible]	[illegible]	[illegible]	–

BRITISH FUNDS – Cont.

Index-Linked	Notes	Price £	+or-	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	[illegible]	−⅛	[illegible]	[illegible]	[illegible]	3.77
2pc '96	(67.9)	[illegible]	—	[illegible]	[illegible]	3.27	3.96
2½pc '01	(78.3)	[illegible]	+⅛	[illegible]	143	4.01	4.35
2½pc '03	(78.8)	[illegible]	+⅛	[illegible]	[illegible]	[illegible]	4.35
2pc '06	(69.5)	[illegible]	+⅛	[illegible]	[illegible]	4.10	4.38

OTHER FIXED INTEREST

	Notes	Price £	+or-	1992 high	1992 low	Yield Int.	Yield Red.
B'ham 11½pc 2012		[illegible]	—	[illegible]	[illegible]	[illegible]	10.34
Ireland Cap 8½pc '10		[illegible]	—	[illegible]	[illegible]	[illegible]	–
9pc Cap 1996		[illegible]	—	[illegible]	[illegible]	[illegible]	–
13pc '97-02		[illegible]	—	[illegible]	[illegible]	[illegible]	–
Hydro Quebec 15pc 2011		[illegible]	+⅛	[illegible]	[illegible]	[illegible]	10.34
Int-Am Dev 12¼pc 2003		[illegible]	+⅛	[illegible]	[illegible]	[illegible]	9.46
9¾pc 2015		[illegible]	+⅛	[illegible]	[illegible]	[illegible]	9.45
Leeds 13½pc 2006		[illegible]	—	[illegible]	[illegible]	[illegible]	10.48
Liverpool 3½pc Irred		[illegible]	—	[illegible]	30	[illegible]	–
LCC 3pc '20 Aft.		[illegible]	—	[illegible]	27	[illegible]	–
Manchester 11½pc 2007		[illegible]	—	[illegible]	[illegible]	[illegible]	10.34
Met. Wtr. 3pc 'B'		[illegible]	—	[illegible]	53	[illegible]	[illegible]
N'wide Anglia 3¾pc 2021		[illegible]	—	[illegible]	[illegible]	–	[illegible]
4¼pc IL 2024		[illegible]	—	[illegible]	[illegible]	–	5.10
Utd Mex States 16½pc 2008		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	[illegible] Pool purchase price £/MWh	[illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.42	18.67	19.84
0100	19.42	18.67	19.85
0130	19.42	18.67	19.85
0200	19.42	18.67	19.85
0230	19.42	18.67	19.85
0300	19.42	17.41	17.41
0330	19.42	17.29	17.29
0400	19.42	17.29	17.29
0430	19.42	17.29	[illegible]
0500	19.42	17.29	17.29
0530	17.57	17.29	17.29
0600	17.57	17.29	17.29
0630	17.59	18.47	18.84
0700	18.81	20.94	22.22
0730	24.37	21.77	23.06
0800	24.37	22.65	23.94
0830	25.18	24.67	26.01
0900	25.86	24.67	26.01
0930	28.00	28.52	29.99
1000	28.00	29.03	30.51
1030	28.00	29.03	30.49
1100	28.70	24.67	25.97
1130	29.36	24.67	25.97
1200	29.36	26.78	28.14
1230	29.36	26.78	28.14
1300	29.36	24.85	26.15
1330	26.31	24.85	26.11
1400	25.16	23.62	25.05
1430	25.04	23.82	25.08
1500	24.93	23.82	25.08
1530	24.93	23.38	24.61
1600	25.06	23.38	24.61
1630	31.74	26.40	27.73
1700	31.74	26.40	27.72
1730	31.74	26.40	27.72
1800	31.74	26.40	27.74
1830	24.37	22.80	24.04
1900	24.37	22.75	23.99
1930	24.37	22.75	23.99
2000	23.12	22.11	23.34
2030	22.88	17.65	17.65
2100	22.40	20.97	22.17
2130	22.59	26.40	27.79
2200	28.00	26.46	27.82
2230	28.00	26.45	27.81
2300	28.00	26.40	26.40
2330	22.86	17.65	17.65
2400	19.86	17.65	17.65

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs......h	14[illegible]xd	—	19⅛	14⅝	12,873	2.3
♥Allegheny & W	287p	+27	335p	226p	154.3	5.7
Amdahl	869p	—	1189p	815p	978.6	0.8
Amer Cyanamid	30¼	—	37	30	2,771	3.1
Amer Express	12¾xd	+	13⅞	10[illegible]	6,020	4.4
Amer T & T	23[illegible]xd	—	24⅞	20⅛	30,812	3.2
Ameritech	34⅛	+⅛	36[illegible]	32½	14,341	5.8
BankAmerica	23[illegible]xd	+	27¾	19[illegible]	8,210	2.1
Bankers NY	30[illegible]xd	+	37¾	28⅝	2,518	5.2
Bell Atlantic	23¼	—	26¼	23⅛	10,224	6.2
BellSouth	26¼	+⅛	29⅛	25	12,776	5.9
♥Bethlehem Steel	8[illegible]xd	—	9⅝	7	654.0	—
Bowater	1167pxd	−19	1578p	1078p	428.5	5.8
CPC......h	23⅝	+	26⅝	22⅞	3,577	2.9
♥Cadiz Land Inc	288p	—	342p	168p	—	—
California Engy	642p	—	830p	637p	116.9	—
Campbell Soup	17[illegible]	+	23[illegible]	17[illegible]	4,482	2.5
Chase Manhattan	15[illegible]xd	+	16½	9⅛	2,117	4.5
Chrysler	11⅛xd	+	11¼	6¾	3,288	3.0
Citicorp	11xd	+	11	5⅞	3,808	—
Colgate-Palm	27½xd	+⅛	29[illegible]	25¼	4,376	2.2
Cont'l Bank	561p	−12	1836p	439p	881.0	3.6
Dana	23[illegible]xd	—	24½	14[illegible]	1,655	3.9
Data General	418p	—	1084p	413p	116.3	—
Dial	18xd	—	24⅛	18⅞	782.6	3.3
Dun & Brad	29⅞	+⅛	33½	27⅝	5,331	4.3
Eaton	44	—	45½	32½	1,489	2.8
Echlin	10⅛xd	−⅛	11	7⅝	585.4	3.9
FPL	18[illegible]xd	+	28	18⅛	3,167	7.3
Fluor	22[illegible]xd	+	27	21	1,849	1.0
Ford Motor	25¼	—	26⅛	15	12,249	2.2
Gen Elect	41⅝xd	+⅛	46¾	40[illegible]	35,783	2.8
♥General Host	402p	−6	555p	360p	—	4.5
Gillette	24⅝xd	−	29⅞	24[illegible]	5,427	1.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc		84	—	107	83½	12.5	—	—
3i Cap		25	+1	42	12½	—	38.9	38.3
Stepped Pf		140½	—	141¾	128	8.8	—	—
Zero Div Pf		185½	+½	188	168½	—	—	—
Warrants		5	—	8	3½	—	—	—
Scot Value		63	—	84	48	3.8	62.5	0.8
Sec Alliance	†	1180	—	1283	1138	4.8	1345.8	12.3
Second Market	s	242	—	244	222	9.8	284.5	14.9
Sec Tst Scot		71	—	75½	63	6.1	73.8	4.3
Select Assets		91	—	102½	91	1.9	130.4	30.2
Eq Ind Ser1		121	—	123	109	4.7	—	—
Eq Ind Ser2		121	—	122	109	4.7	—	—
Shires		242xd	—	249	195	10.1	238.9	0.9
11pc Cv Ln '03/04		£118½	—	£119½	£95½	8.5	—	—
Siam Select		72	—	91	72	1.9	87.4	17.6
Warrants		13	—	21	13	—	—	—
Smaller Cos		82	—	85	67	4.1	91.3	10.2
Warrants		18	—	28	10	—	—	—
Sphere Inc	N	14	+½	20	13½	28.6	21.1	38.2
Zero Div Pf		76	—	77¾	65¼	—	—	—
Warrants		6¼	—	8½	0¾	—	—	—
Stratton		162	—	169	147	1.4	184.4	12.2
Sumit		53	—	55	38	3.8	109.4	49.7
TR City of Lon	M	122¼	—	127½	97½	6.2	118.1	-3.9
TR Euro Growth	e	81	+1	90	79	1.8	97.1	17.6
Ptg Sub	s	45	—	54	45	2.8	—	—
TR Far East Inc	M	92	—	96	76	8.4	102.4	10.2
Warrants		19	—	22	12	—	—	—
TR High Inc		108	—	116	91	7.4	100.8	-4.3
Sub	g	36	—	38	28	8.7	—	—
TR Pacific	s	92	+1	99	71	8.4	97.4	5.5
TR Prop		21¼xd	—	27	20	8.1	30.9	31.2
TR Smaller		138	—	152	118½	3.8	152.7	9.7
TR Technology	M	31	—	37	25	8.9	96.9	68.0
Stepped Pf		102	—	102	89¾	7.2	—	—
Zero Pf		181½	—	188½	154½	—	—	—
Temple Bar		267	—	277	238	4.8	288.8	7.9
9pc Cv Ln 2002		£126½	—	[illegible]	[illegible]	[illegible]	—	—

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

MID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♣) - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	135.2	142.4	+0.1	-
Property Acc. (Gross)	257.7	271.3	+0.1	-
Equity (Gross)	899.4	946.8	+1.6	-
Managed (Gross)	625.6	658.5	+0.7	-
Property Acc. (Net)	123.2	129.7		-
Equity (Net)	208.3	219.2	+0.3	-
Adventurous Managed	94.1	99.1	-0.3	-
Managed (Net)	192.1	202.2	+0.2	-
Cautious Managed	95.9	100.9		-
International (Net)	163.4	172.0	+0.2	-
Gilt & Fixed Interest	140.0	147.4	-0.1	-
Money Fund	139.5	146.8		-
Mixed Fund (Cap)	120.4	126.8		-
Mixed Fund (Acc)	124.8	131.4		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	678.6	714.4	-0.1	-
Ret Man (Series 2)	230.1	242.3		-
Ret Cash	196.4	206.8	+0.1	-
Pers Mixed Fd (Cap)	133.7	140.8		-
Pers Mixed Fd (Acc)	138.7	146.0		-
Pers Stig Fd (Cap)	103.3	108.8		-
Pers Stig Fd (Acc)	107.1	112.8		-

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	103.5	109.0	-0.2	-
Managed Balanced	100.1	105.4	-0.4	-
Managed Cautious	112.2	118.1	-0.3	-
Pension Funds				
Managed Aggressive	108.3	114.0	-0.3	-
Managed Balance	105.0	110.6	-0.4	-
Managed Cautious	115.9	122.1	-0.4	-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

Provident Mutual Life Assc. Assn.—Contd.

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222
Managed Jan 3 | 266.6 | 278.0

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

Sun Alliance Group
St Mark's Court Horsham 0403 232323

Wesleyan Assurance Society
Colmore Circus, Birmingham, B4 6AR 021-200 3003

Windsor Life Assur Co Ltd
Windsor House, Telford, Shropshire 0952 292929

	Bid Price	Offer Price	+ or -	Yield Gross
American	269.5	283.7		-
Balanced Accum Cll.	133.3	140.3		-
Deposit	247.2	260.2		-
Far East	248.9	262.0		-

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Providence Capital International Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
£ Intl Futures2 Sep '98	£0.960	0.960		-
£ Intl Futures2 Mar '99	£0.856	0.856		-
Swiss Franc Mngd	SFr5.562	5.981		-
Swiss Franc Money Mkt	SFr1.190	1.280		-
DM Deutschmark Manager	DM1.851	1.991		-
Sector Managed Funds				
£ OFS Global Port	£0.861	0.926		-
£ YRA Worldwide	£0.973	1.047		-
$ YRA Dllr W'wide	$1.049	1.128		-
Young & Cultural Ptsfeo	$1.048	1.127		-
£ Consmught Cap	£0.939	1.030		-
$ Consmught Cap	$0.939	1.010		-
Pioneer $ LIBOR Plus	$0.979	1.053		-

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
J D Ward Mngd Bond	194.8	210.6		-
J D Ward Mngd Pens	124.8	134.8		-
Albany Life Acc	195.3	205.6	+0.5	-
Albany Pens Acc	251.2	264.4	+0.7	-
M&G Tricos Pen Acc	185.4	194.8	-0.2	-
PEP, WH Growth Pen Acc	186.2	196.0		-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

Rothschild Asset Management — Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
OCCFL DFl		[illegible]		50.54		
OCCFL DKr		[illegible]		151.78		
OCCFL DM		[illegible]		40.42		
OCCFL ECU		[illegible]		15.16		
OCCFL BFr		[illegible]		808.5		
OCCFL FFr		[illegible]		101.07		
OCCFL HK$		[illegible]		100.48		
OCCFL Lire		[illegible]		25.36		
OCCFL NZ$		[illegible]		25.16		
OCCFL S$		[illegible]		30.06		
OCCFL Pta		[illegible]		2,029.84		
OCCFL SKr		[illegible]		101.42		
OCCFL SwFr		[illegible]		30.29		
OCCFL U S $		15.05		15.05		
OCCFL Yen		[illegible]		3,515.5		
OCCFL Man £	3	[illegible]		10.247	10.564	

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs - Contd.						
ADI Nth Amer Gth(z)	5	[illegible]	0.7978	0.8495	[illegible]	0.15
ADI Far East (z)	5	[illegible]	1.145	1.219	[illegible]	0.66
[illegible]	5	[illegible]	0.2608	0.275	[illegible]	0.15
[illegible]	5	[illegible]	0.2395	0.255	[illegible]	3.97
[illegible]	5	[illegible]	1.187	1.263	[illegible]	1.62
For conversion Prices of Shares Phone: 0624 662860						
Axel Global Funds Ltd (1200)						
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097						
European Equity	5	£13.80	13.80	14.62		-
UK Gilt	5	[illegible]	10.458	11.00		-
Intl Equity	5	£14.30	14.30	15.34		-
International Bond	5	[illegible]	5.1127	5.394		-
Absolute Managed	5	[illegible]	0.9910	1.0455		-
European Bond	5	[illegible]	1.0279	1.0854		-
Sterling Cash Inc	5	[illegible]	[illegible]	[illegible]		-
CMI Fund Managers (IoM)						
Clerical Medical Hse, Douglas, IoM 0624 625599						
High Income	5	[illegible]	0.4917	0.5176		10.25
CMI Core Portfolio Fund						
UK	5		£-1.0297	1.1049	[illegible]	-
USA	5		£-1.0073	1.0688	[illegible]	-
Japan	5		£-0.4417	0.4662	[illegible]	-
Equity & Law Intl Fund Mngrs Ltd						
Victory Hse, Prospect Hill, Douglas IoM 0624 677877						
Total Income Fd	5	95.25	95.37	100.37	+0.23	10.6
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Gth	5	471.6	471.6	505.7	(z)	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5	92.81	92.81	99.64	-0.23	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662298						
Merc IoM Fund	5	104.9	104.9	111.9	+0.10	6.2
Merc Intl Bond	5	49.98	49.98	52.55	-0.03	8.4
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	[illegible]	1.0488	1.1244	[illegible]	8.00
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 0624 624694						
Scandinavia Fd	5	-	135.13	144.06	-1.81	1.0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible] Investment Management (CI)						
CA Gilt Income		£6.39	6.68			7.96
CA Gilt & Futures		£1.046	1.099			7.28
CA Equity Gwth		£3.99	4.37		-0.14	3.20
Citibank (CI) Ltd "Citifunds"						
Short Term Investment Funds						
Irish £ Jun 11			118.570			-
Equity Funds						
Japan Equity Jun 11			$7.532			-
US Em Hlth Jun 15			$21.893			-
US Em Tech Jun 15			$18.025			-
Citicare Jun 15			$33.594			-
Bond Funds						
GNMA Bond Jun 15			$14.934	14.940		-
HYB (A) Jun 15			$92,554.158			-
EBC Trust Company (Jersey) Ltd						
EBC Asset Trust Company Fund Ltd						
Income			$15.28	15.799	-0.020	2.73
Capital			$23.77	24.514	-0.050	5.50
*Offer price includes 2% prelim. charge						
International Income Fund						
Eurobd Long Term*			$34.03	35.5729	+1750	4.75
* Offer Price includes 3½% Initial Charge						
[illegible] International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV June 11 C$13.18xd						
First Aust Prime Inc Inv Co Ltd NAV June 11 US$11.05xd						
NAV Diluted to reflect exercise of all Wrts C$12.82xd US$10.75xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.438	2.566	+0.002	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Demeshaled Inv Co NAV			DM16.53		(z)	-
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.70			-
Sterling Cash			£11.95		[illegible]	-
US$ Bonds			$14.88		+0.02	-
Multicurrency Bonds			$20.02		+0.02	-
Sterling Bonds			£13.52		-0.02	-
D Mark Bonds			DM10.55			-
Ecu Bonds			Ecu11.54		[illegible]	-
UK Equities			£20.54		-0.04	-
US Equities			$16.55		-0.07	-

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Malaysian Growth Fd (Cayman) Ltd				
NAV June 15	$9.6495			-
Alliance Capital				
International	$15.30	16.19	-0.17	-
International Class B	$15.14	15.14	-0.16	-
Quasar	$20.12	21.29	-0.08	-
Quasar Class B	$19.89	19.89	-0.07	-
Global Small Cap	$10.30	10.90	-0.04	-
Global Small Cap Class B	$10.19	10.19	-0.03	-
[illegible] Fd	$5.12	5.42		-

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Japan	$605.48			-
GAM Nth America Fd	$129.20			-
GAM Money Mkt US$	$101.56		+0.01	-
Do Sterling	£104.47		+0.02	-
Do Swiss Fr	SFr103.58		+0.02	-
Do Deutschmark	DM104.16		+0.02	-
Do Yen	Y10202		+1	-
GAM Multi-Mngr-Allied	$121.59			-
GAM Multi-Mngr-Eco.Ex	$125.83			-
GAM Multi-Mngr Trading	$126.69			-

	Bid Price	Offer Price	+ or -	Yield Gross
Orbis Investment Management Ltd				
Orbis Global Eqty	$12.34	12.97		-
Orbis Optimal Eqty	[illegible]	17.72		-
[illegible]	[illegible]	17.67		-
* Prices on June 11 Next Pricing June 18 Weekly Pricing				
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$8.0129	8.8042		-
Orbitex Growth Fund	[illegible]	[illegible]		-

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips despite indicators

THE DOLLAR ended weaker against the D-Mark on the foreign exchanges yesterday after failing to draw strong support from favourable US economic figures, *writes James Blitz.*

Figures for housing starts and industrial production both showed higher gains than expected. The May housing starts data revealed an 11 per cent rise to 1.23m units when around 1.17m had been expected. Industrial production rose 0.6 per cent in May against forecasts of a 0.5 per cent gain.

After an early best level in Europe of DM1.5702, the dollar slipped to finish at DM1.5670, compared with a previous close of DM1.5710. It further declined in New York trading to end at DM1.5638.

Although the figures showed that a steady but slow recovery was under way, traders were not able to shrug off underlying fears that the Federal Reserve might ease short-term rates again. An analyst in London commented: "What the market wants is a definitive signal of where rates are heading and the data were far from that." Others await today's "beige book" report, summing up the views of the regional Fed presidents, before taking a new view on the currency.

The dollar was not helped by the D-Mark's continued strong tone. The Bundesbank yesterday reiterated its determination to keep interest rates high as long as there is no indication that inflation has been brought under control. The central bank also revised its figure for April money supply growth upwards.

On top of this, the German currency is certain to remain strong in the run-up to tomorrow's referendum in Ireland on the Maastricht Treaty.

The D-Mark ended higher against sterling at DM2.9150 from a previous close of DM2.9180. The pound also slipped back to bottom of the European Monetary System grid. The German unit made fresh headway against the Italian lira, finishing at L757.1 from a previous L756.7. However, the D-Mark was unchanged against the French franc at FFr3.367.

The yen closed stronger against both the dollar and the D-Mark following news that Japan's GNP rose to a real annualised 4.3 per cent in the first quarter of this year after a revised 0.3 per cent contraction in the last quarter of 1991. However, economists said the figure did not signal a real recovery yet.

An analyst at a German bank said: "The official spin being put on these numbers is that things look pretty good. But these numbers do not reveal the reality of the situation, which is that the (Japanese) economy is sliding into recession."

The market took a more bullish view of the data. The yen ended at Y126.6 to the dollar from Y126.7. In New York the dollar eased to Y126.45.

$ IN NEW YORK

June 16	Close	Previous Close
£ Spot	1.8643-1.8653	1.8563-1.8573
1 month	1.01-0.99pm	0.95-0.93pm
3 months	2.76-2.73pm	2.75-2.72pm
12 months	9.23-9.13pm	9.25-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.497	-4.61	5.77	76
Spanish Peseta	133.631	129.277	-3.26	4.29	55
Belgian Franc	42.4032	42.1975	-0.49	1.39	36
Dutch Guilder	2.31643	2.30969	-0.29	1.19	15
D-Mark	2.05586	2.05013	-0.28	1.18	19
Irish Punt	0.767417	0.766874	-0.07	0.97	4

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Hong Kong	14.3305 - 14.3440	7.7315 - 7.7325
Iran	2650.00*	1430.00*
Korea(Sth)	1453.80 - 1477.20	784.90 - 794.30
Kuwait	0.53800 - 0.53900	0.29000 - 0.29300
Luxembourg	60.05 - 60.15	32.30 - 32.40
Malaysia	4.6655 - 4.6775	2.5190 - 2.5200
Mexico	5600.60 - 5612.90	3118.50 - 3119.50
N.Zealand	3.3995 - 3.4040	1.8425 - 1.8450
Saudi Ar	6.9030 - 6.9800	3.7495 - 3.7505
Singapore	3.0070 - 3.0145	1.6240 - 1.6250
S.Af (Cm)	5.1930 - 5.2050	2.8020 - 2.8035
S.Af (Fn)	6.6845 - 6.8080	3.6230 - 3.6900
Taiwan	45.55 - 45.75	24.70 - 24.80
U.A.E.	6.7590 - 6.8365	3.6715 - 3.6735

*Floating rate. Iran official rate 119.70 / 65.10

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Jun 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10⅛	10⅛ - 10¼	10¼ - 10	10 - 9⅞	10 - 9⅞	9⅞ - 9¾
US Dollar	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	4¼ - 4	4⅝ - 4⅝
Can. Dollar	6 - 5¾	6 - 5¾	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛
Dutch Guilder	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Swiss Franc	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 8⅞	8⅞ - 8⅝
D-Mark	9⅞ - 9⅞	9⅞ - 9¾	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
French Franc	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 10	10⅛ - 10	10⅛ - 10	10⅛ - 9⅞
Italian Lira	14 - 12	14⅛ - 13⅛	14⅛ - 13⅞	13⅞ - 13⅞	13⅞ - 13⅛	13⅛ - 13
Belgian Franc	9½ - 9½	9½ - 9½	9½ - 9½	9½ - 9½	9½ - 9½	9½ - 9½
Yen	4⅝ - 4⅞	4⅝ - 4⅞	4⅝ - 4⅞	4⅝ - 4⅝	4⅝ - 4⅝	4⅞ - 4⅞
Danish Krone	10⅞ - 10⅛	11½ - 11	11½ - 11	11¼ - 10⅞	11 - 10⅞	11 - 10⅞
Asian $Sing	2⅞ - 2⅞	2⅞ - 2⅞	3 - 2⅞	3¼ - 3	3⅞ - 3⅞	3⅞ - 3⅞
Spanish Peseta	12⅛ - 12⅛	12⅛ - 12⅛	12½ - 12¼	12⅞ - 12⅞	12⅞ - 12⅞	12⅞ - 12⅞

Long term Eurodollars: two years 5⅞-5⅞ per cent; three years 6⅛-5⅞ per cent; four years 6½-6⅜ per cent; five years 6⅞-6⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.860	2.915	235.5	9.815	2.618	3.285	2207.	2.221	60.10	183.70	1.422
$	0.538	1	1.567	126.6	5.277	1.408	1.766	1187	1.194	32.31	98.76	0.765
DM	0.343	0.638	1	80.79	3.367	0.898	1.127	757.1	0.762	20.62	63.02	0.488
YEN	4.246	7.898	12.38	1000.	41.68	11.12	13.95	9372	9.431	255.2	780.0	6.038
F Fr.	1.019	1.895	2.970	239.9	10.	2.667	3.347	2249	2.263	61.23	187.2	1.449
S Fr.	0.382	0.710	1.113	89.95	3.749	1	1.255	843.0	0.848	22.96	70.17	0.543
N Fl.	0.304	0.566	0.887	71.69	2.988	0.797	1	671.8	0.676	18.30	55.92	0.433
Lira	0.453	0.843	1.321	106.7	4.447	1.186	1.488	1000.	1.006	27.23	83.24	0.644
C$	0.450	0.837	1.312	106.0	4.419	1.179	1.479	993.7	1	27.06	82.71	0.640
B Fr.	1.664	3.095	4.850	391.8	16.33	4.356	5.466	3672	3.696	100.	305.7	2.366
Pta	0.544	1.013	1.587	128.2	5.343	1.425	1.788	1201	1.209	32.72	100.	0.774
Ecu	0.703	1.308	2.050	165.6	6.902	1.841	2.310	1552	1.562	42.26	129.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE) · CHICAGO · PARIS

MONEY MARKETS

Rates unchanged

SHORT-TERM rates in the sterling cash market were mostly unchanged yesterday, even though the Bank of England forecast a shortage in the morning that was smaller than dealers had expected.

Rates remained unchanged because the shortage, initially forecast at £700m, proved difficult to remove. Many of the Bank of England's previous repurchase agreements are expiring this week, and the end of the second quarter is also approaching. As a result, many market practitioners require short-dated paper on their books for liquidity purposes.

The authorities are unwilling to offer the short-dated repurchase agreements that the market would like, however, perhaps out of fear that this might misrepresent their policy on base rates. Instead the Bank continued Monday's practice of offering to buy the shorter dated Bands 1 and 2 at 9¾ per cent, Band 3 at 9⅝ per cent and Band 4 at 9⅝ per cent.

Yesterday, the Bank bought £15m of Band 3 bank bills and £1m of Band 4 bank bills in the early round. Later, it purchased £13m of Band 1 bank bills, £37m of Band 3 bank bills and £5m of Band 4 bank bills. The forecast was revised down to around £550m at the start of the afternoon. The Bank bought £4m of Band 1 treasury bills and £257m of Band 1 bank bills, and provided late assistance of around £80m.

One discount house trader said the Bank may have misjudged how "sticky" the market still was when revising down the shortage so much in the afternoon. The overnight rate was still up at 11¼ per cent towards the end of trading. One-week sterling libor ended firmer at 10¼ per cent, one-month money stayed at 10⅛ per cent and 3-month money closed at 10 per cent.

Trading in sterling futures had a more bullish tone, possibly because the market was influenced by suggestions in two tabloid newspapers that the British prime minister was considering an early cut in base rates. September short sterling traded up 9 ticks to close at 90.25.

December short sterling also traded up 9 ticks to end at 90.54. Both movements suggest that the market is back to believing there could be a half-point cut in base rates before the end of the year.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
• Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	• Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptns.	10.5	• Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd.	11
Bank of India	10	• Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank A.G. Zurich	10	• Smith & Williamson Secs.	10
Banque Belge Ltd	10	• Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	• Hill Samuel	10	• United Bk of Kuwait	10
• Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	• Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

• Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

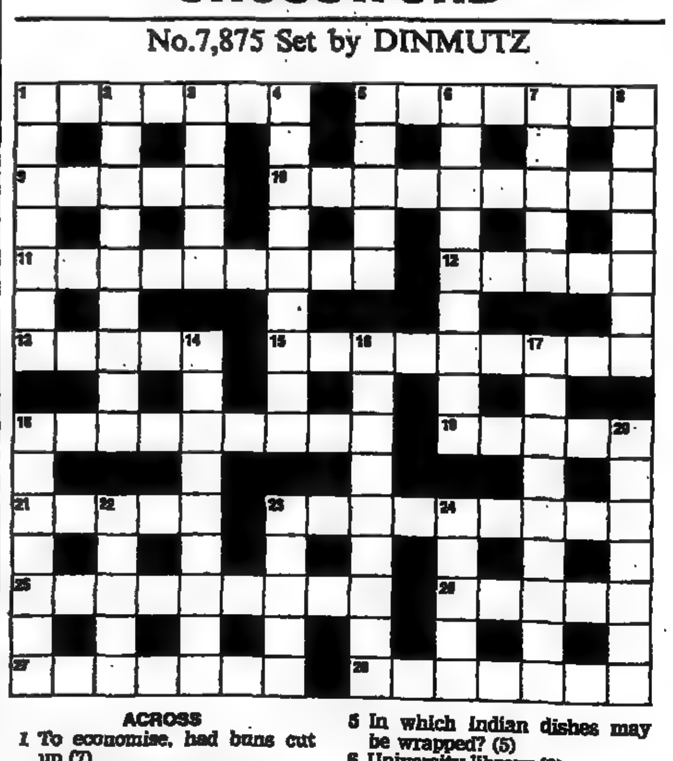
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,875 Set by DINMUTZ



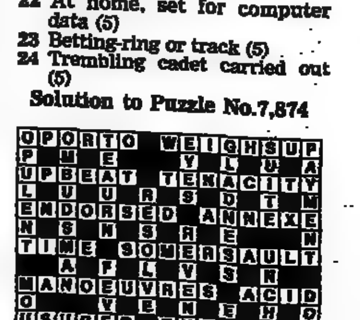
ACROSS

1 To economise, had buns cut up (7)
5 Water left in bath, say? (7)
9 Jack up rear (5)
10 Casting director on the lawn? (9)
11 Nice tours planned in these lands (9)
12 Alan's knocked about the nose (5)
13 Derelict streetcar needs power (5)
15 Priestley's officer calling in play (9)
18 Holding back facts of recent ice movements? (9)
19 Artist remains on the stage (5)
21 Surrounded by climbers, I competed (5)
23 The picture in the office? (9)
25 Tropic island grain (9)
26 Memorial is approved in No.10 (5)
27 Excellent specimen of a snake (7)
28 Australia's blue ginger? (7)

DOWN

1 Chariot accident? Take pulse! (7)
2 Mustn't all miserably – try a pick-me-up (9)
3 On one's toes right after drink? (5)
4 Advisor on courses? (9)
5 In which Indian dishes may be wrapped? (5)
6 University library (9)
7 Band tuners (5)
8 Gymnast seen on the bars (7)
14 Nameless punishment on the square? (4-5)
16 With such a bribe, we see rent revision (9)
17 Bark extract yields yellowish-brown hot water (3-6)
18 Travel-pass shortened for power-coach (7)
20 Individual in clutch of nurse, fitted for joint (7)
22 At home, set for computer data (5)
23 Betting-ring or track (5)
24 Trembling cadet carried out (5)

Solution to Puzzle No.7,874



WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices June 16

Quotations in cents unless marked $

MONTREAL

4:00 pm prices June 16

INDICES

NEW YORK

DOW JONES	Jun 16	Jun 15	Jun 12	Jun 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3329.49	3354.90	3354.36	3351.51	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	100.08	99.94	99.89	99.61	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1342.68	1343.80	1346.23	1331.84	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.63	215.32	214.07	213.82	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3378.97 (3371.75) Low 3321.73 (3327.08)

STANDARD AND POOR'S

	Jun 16	Jun 15	Jun 12	Jun 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	408.32	410.29	409.76	409.05	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	481.44	484.19	483.85	483.13	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.91	35.08	34.97	34.81	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	224.72	225.62	225.51	225.10	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	386.12	388.78	391.32	389.90	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	564.07	569.01	569.52	567.68	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 12	Jun 5	May 29	year ago (approx.)
Dow Industrial Div. Yield	3.03	2.99	2.99	3.03

	Jun 10	Jun 3	May 27	year ago (approx.)
S & P Industrial div. yield	2.69	2.63	2.65	2.74
S & P Ind. P/E ratio	28.44	28.96	28.77	19.24

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Telefonos	3,693,400	48⅛	-1⅝
Citicorp	3,007,200	20⅜	+ ⅛
Philip Morris	2,614,200	70⅜	- 2⅜
Chrysler	2,513,100	20¾	+ ⅛
Coca Cola	2,383,600	40⅜	- 1⅛
Glaxo	2,172,600	26⅛	+ ⅛
Tyco Toys	2,146,500	18	- 2
Unisys	2,072,900	8⅞	- ⅛
Gen Motors	2,040,900	44	+ ⅛
Amer Express	2,033,800	23⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Jun 16	Jun 15	Jun 12
New York SE	178.860	159.060	182.684
Amex	10.037	10.406	11.561
NASDAQ	(u)	132.396	149.514
NYSE			
Issues Traded	2,249	2,244	2,259
Rises	756	746	1,021
Falls	955	913	666
Unchanged	538	585	572
New Highs	40	32	36
New Lows	42	42	22

CANADA TORONTO

	Jun 16	Jun 18	Jun 12	Jun 11	1992 HIGH	1992 LOW
Metals & Minerals	3168.64	3174.53	3196.97	3182.40	3238.87 (16/1)	2828.26 (8/4)
Composite	3407.27	3409.77	3408.00	3385.40	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1797.62	1799.90	1796.92	1787.38	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 16th June 1992

	Stocks Traded	Closing Prices	Change on day
Morinaga Milk	12.3	898	+24
Meiji Milk Prod	8.4	888	+17
Sanyo-Kokusaku	4.7	544	+6
NPN Steel Corp	3.2	279	-4
NPN Formula	2.6	686	+4
Kobe Steel	2.6	300	-1
NKK	2.3	256	-5
Nippon Express	2.1	714	+9
Chugai Pharm	2.0	1,290	+40
Toshiba Corp	1.9	623	

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices June 16

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12	AAR Corp	0.48	3.8	15	698	12½	d11⅞	12½	+½
26	20⅝	A L Labs A x	0.18	0.9	63	130	21¼	20¾	20¾	-⅛
69⅛	58	AMP Inc	1.52	2.6	24	685	59½	58⅞	59	
80¼	60⅞	AMR				1663282	64⅛	63⅜	63⅞	+⅛
2⅛	1⅛	ARX			2	99	1¼	1¼	1¼	
53½	40¾	ASA	2.00	4.5	12	515	44⅞	44½	44½	-⅛
34¼	26⅛	Abbott Lab	0.60	2.2	20	12709	27⅞	27¼	27¼	-½
13⅞	12	Abitibi Pr	0.42	3.0	9	19	13¾	13⅝	13¾	+⅛
11⅝	10⅞	ACM Gvt In x	0.96	8.7		468	11⅛	11	11	
10⅜	9⅛	ACM GrOpp x	0.80	8.2		32	9¾	9⅝	9¾	+⅛
9½	8½	ACM Gvt Sp	0.80	8.8		401	9⅛	9	9⅛	
11¼	10⅜	ACM Gvt Se	0.96	8.8		357	10⅞	10¾	10⅞	
9⅝	8⅝	ACM Man x	0.95	10.1		296	9½	9⅜	9⅜	
12⅞	10⅝	ACM Managd x	1.08	9.3		70	11⅝	11½	11⅝	
11⅞	6¾	Acme Cleve	0.40	5.4	26	68	7½	7⅜	7⅜	
6⅛	4½	Acme Elect			4	7	4⅛	4⅛	4⅛	
33¼	18⅞	Acuson				133626	21½	20⅜	20⅞	-½
19½	16⅛	Adams Expr	0.48	2.6	0	33	18⅞	18¾	18¾	-⅛
49⅛	38¼	Ad Micro	3.00	7.6		537	39⅝	39⅛	39⅜	+¼
21½	14½	Ad Micro P	3.00	20.0		63819	15⅛	15	15	-⅛
9⅛	5	Adwest Grp	0.16	2.5	63	72	6⅞	6¼	6⅜	
71⅜	66	Aegon ADR	1.69	2.4	13	e100	35	d35	69¾	
47	38⅛	Aetna LI	2.76	6.7	7	441	41⅛	40¼	41	+⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	16⅞	S Anita Rt	1.72	9.6	19	289	18	17¾	18	+⅛
18⅞	15¼	SCOR US Cp	0.28	1.7	10	181	16¾	16½	16¾	+⅛
29½	23¼	SPS Techs	1.20	5.0	21	43	25½	25⅛	25⅜	+⅛
13.87	8⅞	Saatchi&S	0.19	1.9	11	1267	u9⅞	9½	9⅞	+⅛
13½	12⅛	Sabine Rt x	1.32	10.0	9	182	13⅛	13⅛	13⅛	−⅛
11⅞	9	Safecard	0.16	1.5	12	99	9⅞	9¾	9¾	−⅛
16	11¾	Safeg'd Sc			6	52	13½	13⅛	13⅛	−⅛
30⅞	22⅞	SafetyKln x	0.34	1.2	29	1011	27⅛	26⅞	27	+⅜
20⅞	11⅝	Safeway			21	1219	12⅛	12	12	−⅛
4⅞	2¼	SafewayW96				93	2⅝	2½	2⅝	
41⅞	29⅞	StJoePaper	0.20	0.5	37	30	38	37⅞	37⅞	
34⅛	30⅛	StJosL&P	1.72	5.4	14	8	32	32	32	
75¼	65½	St Paul's	2.72	3.7	8	558	73⅞	73¼	73¼	+⅛
8⅛	2⅞	Salant Crp			1	66	6⅝	6½	6½	+⅛
75⅝	59	Sallie Mae	1.00	1.6	16	2259	63	62	62¼	−½
14⅞	13	Salomon Br	0.60	4.4		387	13⅞	13⅝	13⅞	+⅛
34⅛	28⅝	Salomoninc x	0.64	2.0	10	964	32⅛	32	32	−⅜
23½	21¼	SanDgo G&E	1.44	6.2	13	404	23¼	23	23¼	+⅛
3⅝	2⅝	SantaFeEDu	0.40	13.3	16	10	3	2⅞	3	+⅛
9⅛	7	SantaFeERs	0.10	1.2	312	820	8⅝	8½	8½	−⅛
38⅝	30¼	SantaFePac	2.80	8.0	10	78	35⅝	35	35⅛	−⅛
14⅛	11	SantaFeSm			21	1814	12¾	12⅛	12⅝	+⅛
57	46⅝	Sara Lee	1.00	2.1	16	3200	48⅛	47¼	47⅜	+⅛
9½	1¼	Savin			0	32	1⅞	1½	1½	−⅛
44⅞	35⅝	Scana Corp x	2.88	6.6	12	345	40⅝	40	40⅜	+½
47½	40¼	Scecorp	2.72	6.0	13	882	45½	45¼	45½	
68	49⅞	ScheringPl	1.56	3.0	16	5381	52	51⅝	51½	+¼
69⅞	52¼	Sch'berger	1.20	1.8	19	2703	67⅞	66⅞	67¼	+½
37⅛	23⅞	Schwab(C)	0.24	1.0	13	1678	24½	d23⅛	23¼	−1¼
10⅝	5¾	Schwitzer			39	235	7½	7⅛	7½	+½
23⅞	15¼	ScientAtln	0.16	0.7	157	2661	u24	23¼	23⅝	+½
10⅝	7⅛	Scotman	0.10	1.2	57	109	8⅞	8⅝	8⅝	

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7½	5	Talley Pf	1.00	16.7		z100	6	6	6	
70½	58⅝	Tambrands	1.36	2.2	30	589	63⅛	62½	62½	[illegible]
16⅛	11	Tandem			18	1303	13⅛	12¾	12⅞	[illegible]
31⅛	24	Tandy Corp	0.60	2.2	12	2078	26¾	26⅝	26¾	[illegible]
13⅛	11⅞	Taurus Mun x	0.88	7.0		40	12⅞	12⅝	12⅝	[illegible]
41½	36	Teco Energ	1.82	4.6	15	251	39¼	38⅞	39¼	[illegible]
22⅞	16½	Tektronix	0.60	3.1	19	200	19¼	19	19¼	[illegible]
1½	⅞	Telecom Cp			2	8	1⅛	1⅛	1⅛	[illegible]
28¾	19⅞	Teledyne	0.80	3.8	39	1195	21	20½	20⅞	[illegible]
38⅝	28⅞	TeleEspSA	1.44	4.4	6	1210	32⅝	32⅛	32½	[illegible]
60	45¾	Telmex ADR x	0.48	1.0		3512	50⅛	48½	48½	[illegible]
57½	47¼	Templeinl	0.98	2.0	19	1577	48	d46⅞	47⅞	[illegible]
25¾	21	TempltEmMk	3.90	16.6		461	24⅛	23⅛	23½	[illegible]
9¾	8⅞	TempltGlob	0.84	8.7		81	u9⅝	9⅝	9⅝	[illegible]
9⅛	8⅞	TempltGFd x	0.84	9.0		1213	u9⅜	9⅛	9⅜	[illegible]
46	31¼	Tenneco Inc	1.60	4.1		7709	38⅞	38⅛	38¾	[illegible]
22⅞	19½	Teppco Pts	2.20	9.7	16	169	u22⅞	22⅝	22⅝	[illegible]
20⅝	10¼	Teradyne			14	953	11¾	11⅛	11⅝	[illegible]
18½	11⅝	Terex	0.06	0.5	5	119	13⅛	d11⅝	11⅝	[illegible]
5⅛	5	Terra Inds			18	256	u5⅛	5⅝	5⅝	[illegible]
6⅝	4⅛	Tesoro Pet			2	z100	4⅞	4⅞	5	[illegible]
66⅞	56⅛	Texaco	3.20	5.0	15	7686	65	63⅞	64⅛	[illegible]
54½	52	Texaco C	3.80	7.2		z100	52⅛	52⅜	52½	[illegible]
25¼	19½	Texas Ind	0.20	0.8	163	14	24	23⅞	23⅞	[illegible]
40½	30	Texas Inst	0.72	2.0	14	1068	36⅝	35⅞	35⅞	[illegible]
23¼	17⅜	Texas Pac	0.40	2.2	33	47	18	17⅞	17⅞	[illegible]
42	37	Texas Util	3.04	7.6	18	2456	39⅞	39⅝	39⅞	[illegible]
10⅛	9⅛	Texfi Pf	1.10	10.7		3	10⅛	10⅛	10⅛	[illegible]
9¼	4⅞	Texfi Inds	1.10	14.7	5	156	7⅞	7½	7½	[illegible]
39⅞	33⅝	Textron x	1.12	3.0	10	1081	36⅞	36½	36¾	[illegible]
6⅛	4¾	Thackeray			8	2	5½	5½	5½	[illegible]

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Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

4:00 pm prices June 16

NASDAQ NATIONAL MARKET

4:00 pm prices June 16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	1014	20¾	20	20¾	
Xoma Corp		7	4317	13¾	d12¾	13¼	−⅛
Yellow Fr	0.94	22	758	28¼	27⅞	28	−⅛
York Rsch		5	1091	5½	5⅛	5¼	−⅛
ZionsUtah	1.44	10	4	53¼	52	52	

AMERICA

Dow retreats as May housing data is ignored

Wall Street

A BIGGER than expected rise in May housing starts failed to lift sentiment on US stock markets yesterday, and blue chip issues led equities into lower territory, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 25.41 at 3,329.49. The losses on the more broadly based Standard & Poor's 500 were less extensive, the index finishing down 1.97 at 408.32. The American SE composite slipped 2.66 to 386.12 and the Nasdaq composite shed 4.94 to 567.07.

Turnover on the New York SE was thin again, at 179m shares, while declines outpaced rises by 969 to 742.

Although the morning's economic data – an 11 per cent rise in housing starts last month and a 0.6 per cent increase in May industrial production – should have been broadly positive for equities, investors chose to ignore the data.

An afternoon report from the Johnson Redbook Service of a 4.5 per cent decline in early June department and chain store sales only added to the gloom.

Among individual stocks, Compaq fell $2⅞ to $25 after Alex Brown & Sons, the Baltimore-based broking house, lowered its investment rating for the stock and trimmed its 1992 earnings estimate from $1.82 a share to $1.45.

Other big computer stocks were mostly weaker, with IBM down $1 at $93 and Hewlett-Packard $2⅛ lower at $68⅝, but Digital Equipment bucked the trend with a modest gain of $⅛ to $37⅞.

Time Warner advanced $2⅛ to $109 on reports that analysts do not expect major changes at the top of the media group while Mr Steven Ross, Time Warner's chairman, is on temporary sick leave.

Arctic Alaska Fisheries soared $4⅞ to $11⅞ in heavy trading after the company agreed to be acquired by Tyson Foods in a stock and cash transaction which values each Arctic share at about $12⅞. The news sent Tyson shares down $1 to $17⅞ on the Nasdaq market.

McDonnell Douglas, which fell sharply on Monday on news that it was delaying the launch of its MD-12 jet due to a lack of orders, recovered $⅞ to $39⅞.

Canada

TORONTO stocks slipped from afternoon highs, but weathered the weakness of Wall Street to end flat. Shares were boosted in morning trading by the rise in US housing starts for May, but the market quickly discounted the data.

The TSE 300 composite index closed just 2.5 down at 3,407.3, while falls led rises by only 290 to 280 after volume of 25m shares valued at C$232m.

EUROPE

Generali pulls Milan to new 1992 low

MILAN reached a new low for the year while bargain-hunting lifted Paris, *writes Our Markets Staff.*

MILAN was pulled to a 1992 low by Generali in technical trading on the final day of the trading account. The Comit index fell 4.06 to 468.79 in turnover estimated at more than Monday's L65.8bn as the screen-based trading system came back into operation. Many stocks are due to go ex-dividend at the start of the new account today, including Bridania and Burgo.

Dealers said there was no specific reason for the L350 fall in Generali to L28,000, other than end-account position squaring. Among other larger stocks, Fiat closed L45 higher at L5,345, but then slipped back to L5,215 later.

Sip was heavily traded, losing L39.50 to L1,311 in technical trading.

PARIS saw some bargain-hunting in blue chips such as Suez, up FFr4 to FFr314, LVMH, FFr30 higher at FFr3,930, and Alcatel, up FFr5 at FFr633; but trading remained modest. The CAC 40 index rose 13.37 to 1,931.41, in turnover of FFr1.8bn.

Total fell FFr7.70, anticipating the fact that it is going ex dividend of FFr7 today. Late on Monday the government said that it would sell 12.4 per cent of Total's share capital by July 10 to domestic and international investors.

Among smaller stocks, the home appliance maker, Moulinex, fell FFr3.60 to FFr157.50 in spite of news that its UK unit had entered a joint venture with Regal of the US, a move which won favour with analysts. The company also said that it might raise capital and issue bonds in order to expand.

FRANKFURT had another quiet day yesterday, as it approached Thursday's holiday and Friday's options expiry. Turnover fell from DM4.4bn to DM4.1bn as the FAZ index rose 0.87 to 909.10 at midsession, and the DAX by 5.20 to 1,778.10 at the close.

The construction group, Philipp Holzmann, down DM30 on Monday, roared back with a rise of DM70 to DM1,155 on a strong gain in group operating profits, and expectations for further earnings gains in 1992.

In retailing, Asko rose DM26 to DM748 after a fall from DM838 at the end of May. In both cases, said Ms Heidemarie Höppner of B Metzler in Frankfurt, there were indications that a selling order had been completed on Monday.

The special situation of the day was Schaerf, the office furniture company, which raised the dividend by DM1, added a DM3 bonus, produced much better than expected earnings and encouraged Metzler to take its current earnings estimate up from DM25 to DM36.50. The shares rose DM29 to DM429.

ZURICH ended a moderately active session with the SMI index 15.6 higher at 1,881.3. Slightly lower money market rates, strong SMI futures and good performances elsewhere in Europe supported sentiment.

Alusuisse, the chemicals and aluminium group, topped the active list as the bearers rose SFr9 to SFr522. Roche certificates came second with a gain of SFr50 to SFr3,380. The pharmaceuticals group is launch an American Depositary Receipt program in about four weeks.

AMSTERDAM improved with a little more activity in view than on Monday. The CBS Tendency index closed 0.4 *higher at 128.8.*

A stronger dollar helped sentiment with Royal Dutch improving Fl 1.30 to Fl 159.10 and Unilever gaining Fl 2.20 to Fl 187.00, a buy note from a UK broker giving the latter an *extra lift. KLM lost 10 cents to* Fl 39.20, some analysts noting that the airline's decision not to cut fares on its transatlantic route was unlikely to have a big impact.

MADRID rose, a buy program in the last half hour of trade helping to boost volume. The general index closed 1.90 higher at 248.78. Agroman gained *Pta70 to Pta1,660* on rumours that Banesto, up Pta50 to Pta2,725, was planning to sell its 50 per cent stake in the construction group.

STOCKHOLM closed fractionally higher *after* profit-taking wiped out earlier gains inspired by better than expected four-month results from Svenska Handelsbanken. The Affärsvärlden General index ended 2.0 higher at 950.10 with Handelsbanken B SKr1.50 lower at SKr53.

COPENHAGEN quivered as central bank sales of bonds at below-market prices damaged sentiment already beset by persistent concern over Denmark's future in the European Community. The CSE index fell 2.51 to 322.91, a new low for the year, Danske Bank falling DKr6 to DKr275 and Unidanmark DKr9 to DKr163.

Danish banks have large bond holdings and take unrealised gains or losses on bond and share holdings into their profit and loss accounts.

OSLO's poor performance continued with the all share index closing 3.11 lower at 428.62 in turnover of NKr221m. The insurance sector remained positive with UNI Storebrand gaining NKr0.50 to NKr42.50.

HELSINKI held as Huhtamaki, the consumer products group, rose FM5 to FM128 on sharply higher four-month profits. The Hex index rose 0.5 to 791.8.

FT-SE Eurotrack 100 - Jun 16

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1164.27	1164.33	1164.52	1163.68	1163.74	1164.26	1165.20	1165.36

Day's High 1165.90	Day's Low 1163.34

Jun 15	Jun 12	Jun 11	Jun 10	Jun 9
1159.75	1167.48	1162.52	1174.58	1174.96

Base value 1000 (26/10/90)

Telecoms weigh on Brazil and Mexico

BRAZILIAN equities stayed weak yesterday, the Bovespa index falling 2.1 per cent to 23,112 at noon following a drop of nearly 6 per cent on Monday, *writes Bill Hinchberger.*

Fresh corruption allegations involving President Fernando Collor de Mello compounded the fall on Monday, triggered by the expiry of stock options. The São Paulo market's poor performance was also put down to a shying away by investors, both foreign and domestic, from shares in Telebras, the state telecommunications company.

Telebras was down 2.7 per cent by midday yesterday, after a 6.8 per cent fall on Monday. Investors sold Telebras shares at the start of June when the government suspended the company's ADR offering. There have been rumours that the government may privatise Telebras's subsidiaries, instead of selling off the holding company. Telebras has also announced disappointing profit figures for April.

Meanwhile in Mexico, Telmex, the telephone company and bellwether stock, pushed the market down 3.7 per cent on Monday, the largest fall this year, *writes Damian Fraser.*

While the stock was marginally higher early yesterday, the market is more than 8 per cent below the peak of 1,967 on March 26.

Mr Jorge Mariscal, of Goldman Sachs, attributed Monday's 3.7 per cent drop in Telmex to fears about the free trade agreement, and the weight of new equity that the market will have to accommodate. Next week, Banacci, the financial group comprising Banamex, Mexico's largest bank, will offer $1.5bn worth of stock to domestic and international investors.

Colombia in transition

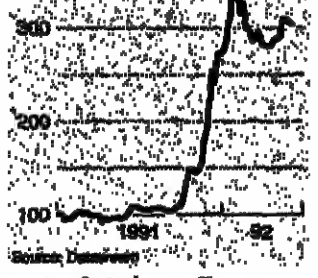
Electricity rationing and tax reforms have curtailed an extraordinary run, writes Sarita Kendall

After an extraordinary run which peaked at the end of January, the Bogota equity market has dropped into an unsettled period. With electricity rationing to continue until the end of this year, tax reforms going through Congress and the latest economic growth estimate down to 2 per cent, hopes for a resurgence in the *second half of the year have* been dampened.

However, Colombian analysts see the current situation as a transition period – a breathing space after last year during which the market capi*talisation* index *tripled.* The sudden boom was due to a big increase in share prices which had been undervalued for tax reasons and which responded to changes in legislation, combined with government policies *to open up the economy* and attract foreign investors.

There are fewer than 200 companies listed on Colombia's Bogota, Cali and Medellin stock exchanges. Despite recent growth, fixed income instruments dominate and equities make up only 4 per *cent of total trading – last* year stock trading reached $250m. Most of the larger registered companies are in banking, textiles, food and cement, with the top 10 accounting for about two-thirds of market capitalisation.

With equity prices now at a more realistic level and the first phase of expansion over, the limitations of such a small *market have become clearer.* Both domestic and foreign investors are drawn by the profitability of the market while restricted by the small range of stock on offer.



The financial authorities have already approved more than a dozen foreign invest*ment capital funds, but for the* present only a tiny proportion of their potential can be channelled into the exchange.

Mr Fernando Arbelaez of the Bogota stock exchange says: "Now growth depends on new companies coming into the stock market. Some institutional investors are going to be important too."

Under normal circumstances, the liberalisation of the economy would have cre*ated demand for funds to* finance the modernisation of industry and services. And the stock market would have been the natural place for many companies to turn; but the electricity shortage (caused by a *mixture of drought and bad* planning) and the resurgence of guerrilla activity have weakened the government, undermining its economic strategy.

Not only are companies reluctant to risk new ventures, *but the privatisation process,* which should give the market a boost, is moving very slowly. A strike by the telephone company trade union gave the government a foretaste of problems to come and led to the *downfall of a cabinet minister.*

The flow of returning capital continues unabated, with international reserves exceeding $7bn. At the same time, foreign investors, attracted by changing laws, rich resources and *what Mr John Major, the UK* prime minister, called a "bright" economic outlook on his recent visit, are looking for opportunities. For the moment, however, the talk of creating a bigger, more diversified stock market has not been translated into action.

ASIA PACIFIC

Two-way trade keeps Nikkei below 17,000

Tokyo

SHARE prices fluctuated amid margin selling, and bargain hunting by investment trusts, and the Nikkei average finally closed flat, ending below the 17,000 level for the second consecutive day, *writes Emiko Terazono in Tokyo.*

The 225-issue index closed a slight 0.30 up at 16,953.53 after a day's low of 16,864.91 and high of 17,132.58.

Margin and index-linked selling depressed the Nikkei in the morning, prompting bargain hunting which lifted the index temporarily above the 17,000 mark. However, rumours of a bankruptcy at a leading real estate developer caused another sell-off.

Volume improved modestly from 210m shares to 230m. Declines led advances by 506 to 380, with 222 issues unchanged. The Topix index of all first sec*tion stocks ended 1.74 better at* 1,307.21, and in London the ISE/Nikkei 50 index eased 3.81 to 1,016.80.

Prices moved on short-term activity, while most investors remained inactive; analysts *said the Nikkei index was* fluctuating on technical signals.

Dealers once again accumulated positions in bio-technology related issues. Morinaga Milk Industry, the most active stock of the day, advanced Y24 to Y898 *on reports that* it had started joint clinical tests on an Aids drug with a US pharmaceuticals group. Meiji Milk Products rose Y17 to Y988 and Sanyo-Kokusaku Pulp, the paper company, put *on Y8 to Y544.*

Steel issues with large, long margin positions were sold. Nippon Steel retreated Y4 to Y279, Kobe Steel eased Y1 to Y300 and NKK relinquished Y3 to Y255.

Road construction companies advanced in the afternoon following comments by Mr Shin Kanemaru, vice-president of the Liberal Democratic Party, *calling for a need to boost gov*ernment road construction spending.

Maeda Road Construction appreciated Y110 to Y2,820 and Nippon Road moved forward Y50 to Y1,360.

Electronic shares put on a mixed performance. Sony moved ahead Y20 to Y4,070 on buying by pension funds and investment trusts. NEC, previously sold heavily on concern about weak profits, recovered Y2 to Y863 *on bargain hunting.* Fujitsu receded Y5 to Y615.

In Osaka, the OSE average *declined 38.21 to 19,919.21 in* volume of 10.3m shares.

Roundup

IT WAS a mixed day for the Pacific Rim region, with Hong *Kong, closed on Monday,* strengthening after last week's disappointing performance.

HONG KONG responded to domestic bargain hunting and the Hang Seng index rose 27.68 to 5,846.75 in turnover of HK$2.5bn. Analysts said the rise was helped by demand for selected blue chips. HSBC gained HK$1.25 at HK$45.50, Jardine Matheson HK$1.50 at HK$66 and Swire Pacific "A" HK$1.50 at HK$34.75.

AUSTRALIA weakened further, with industrial stocks and banks registering the biggest losses. The All Ordinaries index slipped 7.6 to 1,639.4 in turnover of A$237m.

Among banks, Westpac lost 6 cents to A$3.26 and Commonwealth dipped 3 cents to A$7.25. Foster's Brewing, which on Monday rejected S.A. Brewing's merger pro*posal, fell 7 cents to A$1.59.*

MANILA rose to a new intraday record high before slipping back and the composite index was finally 2.92 up at 1,578.48 in combined turnover of 804m pesos. Dealers said investors had been switching out of selected industrial shares and into oil and mining issues.

Oils have shown gains since commercial production began two weeks ago at an oilfield north east of Borneo island.

SEOUL saw selective buying of financial issues matched by profit-taking in other sectors. The composite index closed just 0.14 higher at 579.35 in turnover of Won293.5bn.

KUALA LUMPUR finished firmer after trading in a narrow range. The composite index gained 1.98 to 602.15. Telekom *climbed 20 cents to* M$13.80 in volume of 838,000 shares, having scored a 40-cent rise on Monday.

TAIWAN's financial sector led the market down on profit-taking. The weighted index shed 34.71 to *4,837.78 in turn*over of T$38.6bn.

BOMBAY's brokers boycotted trading for a second day over the government's refusal to allow share transfers linked to the current scandal.

SOUTH AFRICA

JOHANNESBURG was firmer as the start of the ANC's mass action campaign passed off peacefully. The industrial index closed up 26 at 4,548. The overall index rose 19 to 3,707, while the gold index gained 1 to 1,148.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 16 1992								MONDAY JUNE 15 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	147.32	−0.9	117.43	117.99	120.02	130.12	−0.6	4.20	148.64	118.70	119.09	121.44	130.89	153.68	140.94	140.54
Austria (19)	174.04	−0.8	138.73	139.39	141.79	142.33	−0.5	2.06	175.39	140.07	140.53	143.30	143.09	186.70	162.48	187.21
Belgium (46)	143.75	−0.3	114.58	115.12	117.11	114.68	−0.2	5.32	144.24	115.19	115.56	117.85	114.89	146.19	135.87	127.03
Canada (115)	127.33	−0.5	101.50	101.97	103.73	110.32	−0.1	3.34	127.93	102.17	102.60	104.52	110.47	142.12	125.60	141.92
Denmark (35)	236.47	−1.2	188.49	189.39	192.65	194.18	−1.3	1.89	239.33	191.13	191.76	195.54	196.89	273.94	226.81	236.03
Finland (15)	78.23	+0.0	62.35	62.65	63.73	70.37	+0.1	2.01	78.20	62.45	62.66	63.89	70.27	89.90	73.64	102.77
France (104)	162.55	+0.9	129.56	130.17	132.41	134.56	+0.6	3.49	161.15	128.69	129.10	131.65	133.76	168.75	148.06	129.44
Germany (65)	125.37	+0.4	99.93	100.42	102.13	102.13	+0.1	2.26	124.85	99.71	100.04	102.00	102.00	125.37	114.67	108.68
Hong Kong (55)	246.80	+0.7	196.72	197.66	201.07	244.99	+0.7	3.34	245.16	195.78	196.42	200.31	243.33	254.67	176.36	152.35
Ireland (16)	159.90	+0.6	127.46	128.06	130.27	132.26	+0.5	4.11	158.97	126.96	127.37	129.88	131.57	173.71	151.78	144.37
Italy (78)	69.59	−1.0	55.47	55.73	56.69	61.65	−1.2	3.39	70.26	56.11	56.29	57.40	62.41	80.86	68.39	77.92
Japan (473)	101.05	+0.3	80.55	80.93	82.34	80.93	+0.2	1.05	100.80	80.50	80.76	82.36	80.76	140.95	88.70	131.29
Malaysia (69)	241.64	−0.1	192.61	193.52	196.86	234.48	−0.1	2.67	241.90	193.18	193.80	197.63	234.68	250.18	212.49	238.22
Mexico (18)	1527.05	−3.9	1217.20	1223.00	1244.06	5207.47	−3.9	1.10	1589.31	1269.21	1273.37	1298.50	5420.65	1789.77	1376.91	1019.35
Netherland (25)	165.22	+0.9	131.70	132.32	134.60	133.13	+0.6	4.21	163.81	130.82	131.25	133.84	132.37	165.22	147.88	134.65
New Zealand (14)	46.29	+0.3	36.90	37.08	37.71	45.32	+0.4	4.99	46.16	36.86	36.98	37.71	45.14	48.52	42.01	48.54
Norway (23)	182.42	−0.6	145.40	146.10	148.61	151.78	−0.8	1.67	183.56	146.59	147.07	149.98	152.98	192.95	161.26	192.65
Singapore (38)	228.17	−0.6	181.87	182.74	185.88	170.61	−0.5	1.94	229.63	183.38	183.99	187.61	171.59	229.63	192.76	196.96
South Africa (61)	239.82	−2.0	186.38	187.26	190.48	188.87	+0.6	2.75	238.65	190.59	191.21	194.98	185.79	269.60	203.16	225.58
Spain (50)	155.11	+1.0	123.64	124.23	126.36	116.16	+1.0	5.24	153.53	122.61	123.01	125.44	114.97	161.72	146.86	149.16
Sweden (27)	197.06	+0.3	157.09	157.84	160.56	164.91	+0.0	2.69	196.51	156.93	157.45	160.56	164.95	200.28	173.09	166.87
Switzerland (63)	109.43	+1.2	87.22	87.64	89.16	95.48	+0.7	2.24	108.13	86.35	86.64	88.35	94.82	109.43	95.59	90.03
United Kingdom (227)	195.12	+1.0	155.53	156.25	158.94	155.53	+0.8	4.79	193.17	154.27	154.76	157.81	154.27	200.07	165.85	162.26
USA (522)	166.25	−0.5	132.52	133.16	135.45	166.25	−0.5	3.00	167.02	133.38	133.83	136.47	167.02	171.66	160.92	153.31
Europe (793)	154.80	+0.7	123.39	123.98	126.12	125.45	+0.5	3.90	153.71	122.75	123.16	125.59	124.85	156.86	139.31	132.92
Nordic (100)	180.52	−0.4	143.89	144.58	147.07	144.52	−0.6	2.25	181.24	144.74	145.21	148.08	145.38	188.52	169.66	179.02
Pacific Basin (718)	107.54	+0.2	85.72	86.13	87.61	87.27	+0.2	1.42	107.33	85.71	85.99	87.69	87.11	141.97	94.40	132.09
Euro – Pacific (1511)	126.66	+0.4	100.96	101.43	103.18	103.05	+0.3	2.63	126.09	100.70	101.02	103.01	102.71	145.21	113.80	132.75
North America (637)	163.81	−0.5	130.57	131.21	133.47	162.45	−0.4	3.02	164.56	131.42	131.86	134.46	163.17	169.69	158.70	152.51
Europe Ex. UK (566)	130.70	+0.6	104.18	104.70	106.50	108.07	+0.2	3.23	130.07	103.87	104.23	106.29	107.82	131.77	121.81	114.91
Pacific Ex. Japan (245)	171.42	−0.1	136.64	137.31	139.67	152.62	+0.0	3.51	171.59	137.03	137.50	140.21	152.57	175.31	149.00	139.83
World Ex. US (1705)	128.75	+0.3	102.63	103.12	104.89	105.45	+0.3	2.64	128.34	102.49	102.84	104.86	105.16	148.91	118.45	134.52
World Ex. UK (2000)	135.27	−0.1	107.82	108.35	110.22	121.00	−0.1	2.62	135.44	108.16	108.52	110.67	121.15	150.58	127.21	137.88
World Ex. So. Af. (2166)	139.62	+0.0	111.45	111.99	113.92	123.66	+0.0	2.78	139.77	111.62	112.00	114.21	123.69	153.05	130.04	139.30
World Ex. Japan (1754)	162.48	−0.1	129.51	130.14	132.39	149.14	−0.1	3.35	162.60	129.86	130.29	132.87	149.26	165.40	150.29	145.71
The World Index (2227)	140.43	+0.0	111.93	112.47	114.41	124.22	+0.0	2.76	140.42	112.14	112.61	114.73	124.25	153.70	130.66	139.65